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SAN FRANCISCO PORT COMMISSION

Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Mel Murphy, Commissioner
Doreen Woo Ho, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA **TUESDAY, MARCH 11, 2014** **2:45 P.M. CLOSED SESSION** **3:15 P.M. OPEN SESSION**

PORT COMMISSION HEARING ROOM, SECOND FLOOR FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

- 1. CALL TO ORDER / ROLL CALL**
- 2. APPROVAL OF MINUTES** – February 25, 2014
- 3. PUBLIC COMMENT ON EXECUTIVE SESSION**
- 4. EXECUTIVE SESSION**

GOVERNMENT
DOCUMENTS DEPT

MAR - 7 2014

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- A. Vote on whether to hold closed session.

**(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED
LITIGATION MATTER (Discussion and Action Item)**

- a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(4) and San Francisco Administrative Code section 67.10(d)(2):

As Defendant

X As Plaintiff

Discussion and approval of negotiated settlement agreement with The J. Mitchell Group, a California Corporation, doing business as The Mitchell Group Copy Service ("Tenant") that: (i) requires payment by



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Tenant of \$31,000 to Port in settlement of outstanding rent payments due; (ii) provides early surrender of the leasehold by Tenant no later than March 31, 2014; and (iii) includes other terms as set forth in the Settlement Agreement on file with the Port Commission Secretary.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

A. Executive Director's Report

- Port Commissioner Kimberly Brandon and Communications Manager Renee Martin, Honorees at the 2014 International Women's Day Celebration — March 10, 2014 at City Hall
- Blue & Gold Fleet - 2014 Roger Murphy National Marine Safety Award Winner
- Tourism and Hospitality Job Fair – March 22, 2014 from 1-4 p.m. at Telegraph Hill Neighborhood Center, 660 Lombard Street, San Francisco
- Recruitment for the Third Annual Class of Greenagers – Application Deadline March 28, 2014
- Cancellation of April 8, 2014 Port Commission meeting

B. Commissioners' Report

10. CONSENT

- A. Request authorization to advertise for competitive bids for Construction Contract No. 2765, Pier 35 Building and Roof Repair Project (Resolution No. 14-14)
- B. Request approval of Executive Director's nominations of Patrick Buscovich, Hilary Hubbard, Paul Switenki, Edward X. Qi and John J. Sims for appointment to the five member Port Building Code Review Board. (Resolution No. 14-15)

11. PLANNING AND DEVELOPMENT

- A. Informational presentation on the Port-BCDC Planning Study associated with the approval of the James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects.
- B. Informational presentation on the nomination of the Union Iron Works Historic District at Pier 70, a 66-acre waterfront property, generally bounded by Illinois and 22nd Streets on the west and south and the San Francisco Bay on the north and east, for listing on the National Register of Historic Places.
- C. Request approval of a Memorandum of Understanding between the Port and the San Francisco Mayor's Office of Housing and Community Development regarding development of affordable housing on Seawall Lot 322-1 (located at Broadway and Front Streets). (Resolution No. 14-16)

12. NEW BUSINESS

13. ADJOURNMENT

Adjourn the meeting in memory of Mr. James Lange, Host of The Dating Game and local host of KSFO and KABL Radio

COMMUNICATIONS TO PORT COMMISSION
From February 21 to March 6, 2014

- From Dennis McKenzie, Round the Diamond, regarding High School College Career Pathway & Field Study Classroom

FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)

MARCH 25, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Update on the Orton Development Inc.'s proposed project for the lease and rehabilitation of the 20 th Street Historic Buildings on or near 20 th and Illinois Streets at Pier 70
2	Portwide	Informational	Presentation on San Francisco Municipal Transportation Agency's transportation pilot projects
3	Portwide	Action	Approval of: (1) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (2) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate
4	Crane Cove Park	Action	Approval to modify contract with AECOM for additional services to Schematic Design phase and to conduct Design Development, Detail Design and Construction support for Crane Cove Park, located within the Pier 70 area.
5	Portwide	Action	Approval of Resolution to Accept and Expend Coastal Assistance Improvement Program grant for Port of San Francisco pier apron repair projects
6	Pier 70	Action	Approval of license agreement with Forest City California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay

APRIL 22, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Cesar Chavez Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
2	Portwide	Action	Accept the Port's Report on Contracting Activity for the first two quarters of FY 2013-14 (July 1, 2013 through Dec 31, 2013)
3	Pier 50 & 96	Action	Approval of First Amendment to the Berthing and Lease Agreement No. L-14648 with California Sealift Terminals Inc. a California Corporation to berth three U.S. Maritime Administration (MARAD) ships at Pier 96 and Pier 50

4	Pier 70	Action	Approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70
5	Pier 33 North	Action	Approval for a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition
6	1399 Marin Street	Action	Approval of Memorandum of Understanding between the Port of San Francisco and the San Francisco Municipal Transportation Authority for property located at 1399 Marin Street
7	Pier 94, SWL 352	Action	Approval of a five (5) year option to the existing term of Lease No. L-14705 with Recology San Francisco (formerly Sustainable Crushing Ventures, LLC) for a five (5) year term effective August 1, 2014 through July 31, 2019, for certain real property located at Pier 94, Seawall Lot 352
8	Quint Street	Action	Approval of the Use of Track Agreement with Union Pacific Railroad ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and BNSF Railway for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
2	Pier 27	Action	Resolution authorizing acceptance of an art gift of a James R. Herman tribute, that would be installed in the James R. Herman Cruise Terminal at Pier 27, and authorizing the Executive Director to enter into a Memorandum of Understanding regarding the terms of the acceptance
3	SWL 337	Action	Approval of a Special Event in excess of 90-days, for Port property at Seawall Lot 337 and Pier 48 bounded by Terry Francois Blvd., Third Street, Mission Rock Street, and San Francisco Bay, pursuant to Lease No. L-14980 between the Port and China Basin Ballpark Company, LLC

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
2	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the

			South Beach Harbor Program
4	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment

MARCH/APRIL 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Mar. 25	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Apr. 8 CANCELLED	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Apr. 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

March 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *MMoyer*

SUBJECT: Request authorization to advertise for competitive bids for Construction Contract No. 2765, Pier 35 Building & Roof Repair Project

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Overview

Port staff requests the Port Commission's authorization to advertise for competitive bids for Contract No. 2765, Pier 35 Building & Roof Repair Project ("Project"). The Pier 35 building is currently experiencing water intrusion in several areas, and has elevators in need of upgrades. The project scope includes elevator repairs, roofing, flashing, window and door weather stripping repairs. (Refer to the Project Site Plan in Attachment A.)

Background

Pier 35 is a historic building, constructed of light and heavy timber components. Pier 35 is the current primary San Francisco Cruise Terminal, which is operated through the services of Metro Cruise Services. Additional tenants, whose activities include office use and storage, occupy the bulkhead building.

Project Description

All construction documents required for this project have been prepared by Port staff and elevator consultant, VDA. The Project scope includes modernization and repair of two existing elevators, removal of existing roofing materials, hazardous material

This Print Covers Calendar Item No. 10A

abatement, selective dry rot repair to the roof deck, refurbishment of existing historic features including windows, and provision for new shingle roofing, gutters, flashing, and weather gaskets at doors. Other finish materials will be repaired or replaced where damaged by water intrusion.

The tenants will be protected by a temporary barrier and continuous air quality oversight by a Certified Industrial Hygienist during the removal of any roofing material and hazardous material abatement. Repairs to historic features of the pier building will be consistent with the Secretary of the Interior Standards as Pier 35 is a contributing resource to the Embarcadero Historic District. Existing historic features include wood frame clerestory windows, the Otis elevator installed in 1938, and the building façade.

Western Gulls commonly nest on roofs along the Port. Environmental regulations under the federal Migratory Bird Treaty Act (MBTA) protect the Western Gulls during their nesting season. The nesting season occurs from May through September. Under the MBTA it is illegal to harass or otherwise harm Western Gulls with active nests with eggs or chicks. The construction period of the roofing and window repair portions of the project will be required to occur outside of the nesting season.

The project scope qualifies for the Maintenance and Repair Categorical Exemption Class 1(d) under the California Environmental Quality Act (CEQA). The project description was submitted to San Francisco Bay Conservation and Development Commission (BCDC) in a customary 15-day notification. BCDC did not require further permit information and the project is deemed approved. An Army Corps of Engineers' permit is not needed for this work.

Bids will be advertised to reach contractors through the following methods:

- Contract Monitoring Division list of contractors
- Port Internet
- Office of Contract Administration Internet Site
- San Francisco Public Library
- City and County of San Francisco purchasing internet
- Plan Rooms (Builders Exchange, Contractors Information Network, etc.) 18 total
- Chambers of Commerce:
 - Hispanic Chamber of Commerce
 - San Francisco African Chamber of Commerce
 - Chinese Chamber of Commerce
- San Francisco Chronicle
- Community Newspapers:
 - Bay Area Reporter
 - Central City Extra
 - El Mensajero
 - EL Reportero
 - Maina Times/Northside Publications
 - Potrero View
 - San Francisco Bayview

- Sing Tao Daily
- Small Business Exchange
- The Western Edition
- World Journal
- SFPUC Contractor Assistance Center

In the solicitation of bids for this project, Port staff will follow the Contract Monitoring Division's (CMD) bidding procedures and requirements. The CMD is reviewing the project scope and will make recommendations for subcontracting goal for the Local Business Enterprises (LBE) in the solicitation of bids.

San Francisco Local Hiring Ordinance

The Project will comply with the City's Local Hiring Ordinance. The mandatory participation level is currently under review by the San Francisco Board of Supervisors, and is expected to be finalized by March 25, 2014.

Funding

The total estimated construction cost for this project is \$2,200,000 which includes a 10% contingency.

The engineer's estimate and funding source for this project are noted below:

Project Scope	Engineer's Estimate	Funding Source
Roofing and various water intrusion repairs	\$1,716,000	Port Capital Roof Fund CPO 759
Elevator Upgrades	\$528,900	Port Capital Elevator/Escalator Fund CPO 795
Subtotal Engineer's Estimate	\$ 2,244,900	
10% Contingency	\$ 224,490	Port Capital Roof Fund CPO 759 and Elevator/Escalator Fund CPO 795
Total Estimated Cost with contingency	\$ 2,469,390	

Schedule

The project is scheduled to start in August 2014, and the anticipated completion date is February 2015. No construction will occur at Pier 35 during cruise ship calls or during Fleet Week.

The following is the anticipated project schedule:

Commission Approval to Advertise	March 11, 2014
Advertise for Bids	April 20, 2014
Award of Contract	June 20, 2014
Notice to Proceed	August 20, 2014
Substantial Completion	February 20, 2015

Summary

Port staff is prepared to seek competitive bids for this project. Therefore, Port staff requests Port Commission authorization to advertise for competitive bids for Contract No. 2765, Pier 35 Building & Roof Repair Project.

Prepared by: Wendy Proctor
Project Architect

For: Uday Prasad
Interim Chief Harbor Engineer

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

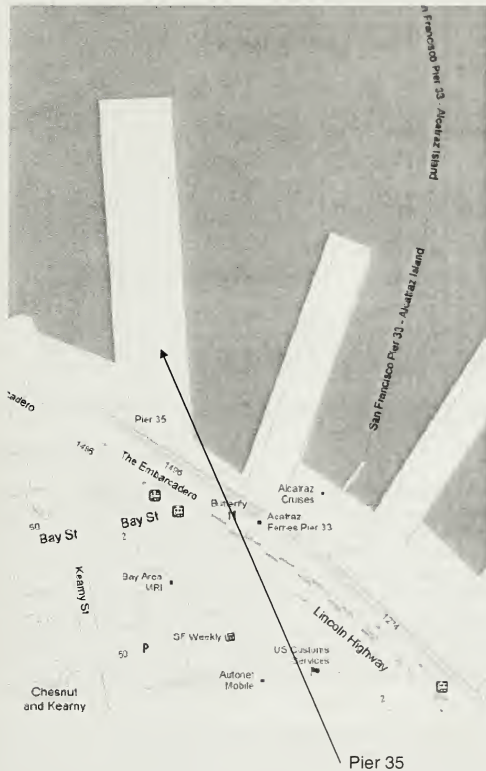
RESOLUTION NO. 14-14

- WHEREAS, Port staff seeks authorization to obtain competitive bids for construction Contract No. 2765, Pier 35 Building & Roof Repair Project (the "Project"); and
- WHEREAS, the construction Project will upgrade two elevators and remedy water intrusion at the roof assembly, doors and windows for the Pier 35 cruise terminal; and
- WHEREAS, Port staff, along with an elevator consultant have completed design drawings and specifications for the Project; and
- WHEREAS, the current estimated project cost is \$2,244,900, and the 10% contingency is \$224,490 for a total of \$2,469,390; and
- WHEREAS, the current estimated Project cost, including the 10% contingency is fully funded by Port Capital Funds CPO 759 and CPO 795, designated for roof and elevator repairs; and
- WHEREAS, the Project qualifies for the Categorical Exemption Class 1(d) under the California Environmental Quality Act (CEQA), and is deemed approved by San Francisco Bay Conservation and Development Commission (BCDC), and needs no permit from the U.S. Army Corps of Engineers'; and
- WHEREAS, Port staff will incorporate the subcontracting goal for Local Business Enterprises (LBEs) as recommended by the Contract Monitoring Division (CMD), in the solicitation of bids for this Project; and
- WHEREAS, Port staff will incorporate the requirements of the San Francisco Local Hiring Ordinance including the mandatory participation level for each qualifying trade, in the solicitation of bids for this Project; now, therefore be it
- RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for Contract No. 2765, Pier 35 Building & Roof Repair Project.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of March 11, 2014.

Secretary

ATTACHMENT A
AREA OF WORK LOCATION MAP



CONTRACT 2765
Pier 35 Building & Roof Repair Project



MEMORANDUM

March 7, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Request approval of Executive Director's nominations of Patrick Buscovich, Hilary Hubbard, Paul Switenki, Edward X. Qi and John J. Sims for appointment to the five member Port Building Code Review Board

DIRECTOR'S RECOMMENDATION: Approve Nominations and Resolution

Introduction and Background

On September 11, 2007 the Port Commission adopted Resolution 07-70 which established the Port Building Code Review Board ("Review Board"). Subsequently, Section 105A of the Port of San Francisco Building Code ("Code") established a five member Port Building Code Review Board ("Review Board") to hear and adjudicate appeals of (1) the granting, disapproval, denial, suspension or revocation of any permit under the Code, (2) written Code interpretations made by the Port's Chief Harbor Engineer ("CHE") and (3) orders of abatement. The Code specifies that the Review Board members shall be selected by the Port Executive Director and approved by the Port Commission. The term of each member is limited to a maximum of three years. However, members may be re-nominated to additional terms, subject to the same selection and approval process, above.

On February 8, 2011, the Port Commission adopted resolution No. 11-06 approving the nominations of the 2011 Review Board members (Gary Hoy, Sagiv Weiss-Ishai, Hanson Tom, Joy Navarrete and Brad Wilson). At this time, the three year terms of all existing members have expired and the Port Commission must now approve five new members to serve on the 2014 Review Board.

THIS PRINT COVERS CALENDAR ITEM NO. 10B

Review Board Organization

Section 105A.1.1 of the Code requires that the Review Board be composed of five members who "shall have technical skills and/or working experience related to construction." The Review Board is required to have a minimum of three technical members who shall be a registered and/or licensed California structural engineer, architect, or utilities engineer. The latter may be an electrical, mechanical, or fire protection engineer. A certified building official may also be considered as a technical member. Two non-technical members shall have experience related to construction. Three members, including a minimum of two technical members, are required to form a quorum.

During the 2013 Code adoption process, a prior requirement that the Review Board members be employed "with the City and County of San Francisco" was removed from the Code. There were two reasons for doing this: first, to be consistent with the requirement in the 2013 California Building Code (which is the basis for the Port of San Francisco Building Code) that, pursuant to Section [A] 113.3 of the Code, the Review Board members are not employed by the jurisdiction; and second, to allow for a more diverse membership to assure that unbiased decisions are reached, thereby avoiding any potential appearance of a conflict of interest.

The 2011 Review Board met three times during its three-year term. No appeals were heard during that period.

Limitations on Review Board Authority

Port Building Code Section 105A.1 limits the appeals heard by the Review Board to the following matters:

1. The granting, disapproval, denial, suspension or revocation of any permit under the current edition of the Port of San Francisco Building, Mechanical, Electrical and Plumbing Codes;
2. Any written interpretation of the CHE involving construction methods, assemblies or materials or where safety is involved; or
3. Any order of abatement resulting from a CHE Hearing and any notice of violation order issued pursuant to Section 102A of the Code.

Under Section 105A.1.2 of the Code, the Review Board's review of an appeal is limited to a review of the record for any error by the CHE, whose decision the Review Board may reverse only upon a finding of such error. The Review Board has no authority to waive requirements of the Code.

The Code specifies that appeals from the CHE decisions in enforcement of barrier free design or physical accessibility shall be administratively processed through the San

Francisco Department of Building Inspection ("DBI") Access Appeals Commission and/or the Mayor's Office on Disability (the "MOD").

Nominations to Review Board

The Port is actively committed to an outreach and recruitment policy whereby members of the Review Board will be selected for nomination based upon a widely diverse group of applicants. In recruiting candidates for the 2014 Review Board, Port staff contacted the Department of Building Inspection, the Office of the City Administrator, the San Francisco Public Utilities Commission, and the African-American, Chinese and Hispanic Chambers of Commerce, in addition to numerous industry experts.

After staff's recruitment of qualified candidates, the Port Executive Director now nominates and recommends the following individuals for appointment to the 2014 Port Building Code Review Board positions:

1. Patrick Buscovich, SE (Structural Engineer)*
Patrick Buscovich & Associates Structural Engineers, Inc.
San Francisco, CA
2. Hilary Hubbard, AIA (Architect)*
Hubbard Godfrey Architects, Inc.
San Francisco, California
3. Paul Switenki, PE (Mechanical Engineer)*
Arup
San Francisco, California
4. Edward X. Qi (Structural Engineer)*
Louie International
San Francisco, CA
5. John Sims
General Contractor
San Francisco, CA

* Designated Technical Members

The resumes of these nominees for Review Board membership are attached in Exhibit I.

Upon the Port Commission's approval, these individuals will be appointed to the 2014 Review Board, effective immediately.

Summary

The 2013 Code provides for a public appeals process for Code-related decisions through a five member Port Building Code Review Board selected by the Executive Director and approved by the Port Commission. The term limits of the current Review Board members have expired. Therefore, staff requests the Port Commission to approve and appoint the following five new individuals nominated by the Port Executive Director to serve as Review Board members for a maximum term of three years: Patrick Buscovich, Hilary Hubbard, Paul Switenki, Edward X. Qi, and John Sims.

Prepared by: Neil Friedman
Chief Building Inspector

Peter Luong
Associate Civil Engineer

For: Uday Prasad
Interim Chief Harbor Engineer

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-15

WHEREAS, the 2013 Port of San Francisco Building Code provides for the creation of a five member Port Building Code Review Board to hear appeals from the Chief Harbor Engineer's decisions and interpretations based upon the Port Building Code, as specified in Section 105A.1 of the Port Building Code; and

WHEREAS, Section 105A.1.1 of the Port Building Code provides for selection of the members of the Port Building Code Review Board by the Port Executive Director and approval by the Port Commission; and

WHEREAS, the Port Commission appointed the previous members of the Port Building Review Board on February 8, 2011, pursuant to Resolution 11-06, whose terms have expired; and

WHEREAS, the Port Executive Director, pursuant to Section 105A.1.1 of the Port Building Code, has nominated the following five qualified individuals to serve as successor members of the Port Building Code Review Board: Patrick Buscovich, Hilary Hubbard, Paul Switenki, Edward X. Qi, and John Sims; and

WHEREAS, Section 105A.1.1 of the Port Building Code limits the term of each individual member of the Port Building Code Review Board to a maximum period of three years; now, therefore be it

RESOLVED, that the Port Commission hereby approves the Executive Director's nomination of, and appoints, the following individuals to the Port Building Code Review Board for a maximum term of three years: 1) Mr. Patrick Buscovich, 2) Ms. Hilary Hubbard, 3) Mr. Paul Switenki, 4) Mr. Edward X. Qi, and 5) Mr. John Sims; and be it further

RESOLVED, that these members of the Port Building Code Review Board shall have the responsibility and authority to adjudicate issues and hear appeals arising from the Port Building Code in accordance with, and as limited by, Section 105A of the current edition of the Port of San Francisco Building Code.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of March 11, 2014.

Secretary

Exhibit I

Resumes of Proposed Port Building Code Review Board Members

Patrick Buscovich S.E.

Education: University of California, Berkeley ~ Bachelors of Science, Civil Engineering 1978
~ Masters of Science, Structural Engineering 1979

Organizational: State of California Building Standards Commission
Commissioner 2000 – 2002
City & County of San Francisco Department of Building Inspection (DBI)
Commissioner/Vice President 1995 – 1996
UMB Appeals Board 2005 – 2006
Code Advisory Committee 1990 – 1992
Chair of Section 104 Sub-Committee.
Structural Engineers Association of Northern California (SEAONC)
President 1997 – 1998
Vice President 1996 – 1997
Board of Directors 1994 – 1999
College of Fellows Elected 2002
Edwin Zacher Award 1999
Structural Engineers Association of California (SEAO)C
Board of Directors 1996 – 2000
Applied Technology Council (ATC)
President 2007 – 2008
Board of Directors 2000 – 2009

Licenses: California, Civil Engineer C32863, 1981
Structural Engineer S2708, 1985

Experience: *Patrick Buscovich and Associates, Structural Engineer – Senior Principal (1990 to Present)*
Specializing in existing buildings, seismic strengthening, structural rehabilitation, building code/permit consultation, peer review, expert witness/forensic engineering

- Code Consulting and Peer Review for projects in San Francisco (Planning, Fire, Streets, Building)
- Permit Consultant in San Francisco (DBI, DCP, SFFD & BSUM).
- Expert Witness/Forensic Engineering/Collapse & Failure Analysis
- Seismic Retrofit Consultation.
- Member of the following SEAONC/DBI Ad-Hoc Committees:
 - Committee to revise San Francisco Building Code Section 104F/3304.6.
 - 1988-1990 Committee to draft San Francisco UMB ordinance.
 - 1993 Committee to revise the San Francisco UMB ordinance.
 - SEONC Blue-Ribbon panel to revise earthquake damage trigger, 1998
 - Secretary, Blue Ribbon Panel on seismic amendments to the 1998 SFBC.
 - Secretary, Blue Ribbon Panel Advising San Francisco Building Department on CAPSS.
- Co-Author of the following SF DBI Code Sections.
 - EQ damage trigger SFBC 3406
- Author SFBC Administrative Bulletin: AB102 (Seismic alteration) & AB103 (CFC)
- Coordinator/Speaker for SEAONC San Francisco UMB Seminars 1992, 1993 & 1994.
- Speaker at SEAONC Seminar on San Francisco UMB Code, 1850 to Present.
- Member of San Francisco UMB Bond Advisory Board.
- Speaker at numerous San Francisco Department of Building Inspection Seminars on UMB.
- Speaker at numerous code workshops for the San Francisco Department Building Inspection.
- Co-author of 1990 San Francisco UMB Appeals Board Legislation.
- Co-author of San Francisco Building Code Earthquake Damage Trigger for Seismic Upgrade, Committee Rewrite 2008.
- As a San Francisco Building Commissioner, directed formulation of Building Occupancy Resumption Plan (BORP)
 - Chaired the 1995 update on the San Francisco Housing Code.
 - Directed formulation of UMB tenant protection program
- Consultant to the City of San Francisco for evaluation of buildings damaged in the Loma Prieta earthquake (October 17, 1989) to assist the Bureau of Building Inspection regarding shoring or demolition of "Red-Tagged" structures (SOHA).
- Consultant to San Francisco Department of Building Inspection on the Edgehill Land Slide 1997.
- Consultant to 100's of private clients to evaluate damage to their buildings from the October 17, 1989 earthquake.
- Project Administrator for multi-team seismic investigation of San Francisco City-owned Buildings per Proposition A, 1989 (\$350 million bond). (SOHA).
- Project Manager for seismic strengthening of the Marin Civic Center (SOHA).
- Structural engineer for Orpheum Theater, Curran Theater and Golden Gate Theater.
- Consultant on numerous downtown SF High Rise Buildings.
- Rehabilitation & seismic strengthening design for 1000's of commercial buildings in San Francisco.
- Commercial Tenant Improvement
- Structure Rehabilitation of Historic Building.
- Structural consultant for 1000's of single family homes and apartment buildings alteration in San Francisco

Previous Employment

- PMB 1979-1980, Senior Designer
- SOHA 1980-1990, Associate

Public Service: Association of Bay Area Government – Advisory Panels
Holy Family Day Home – Board of Director
Community Action Plan for Seismic Safety (CAPSS) advisory panel.

Hilary Hubbard, Principal
Hubbard Godfrey Architects, Inc.
3522 Geary Blvd. Suite 3
San Francisco, CA 94118
415.379.1700 tel
415.379.1701 fax
Hilary@HubbardGodfrey.com

Professional Experience

Hubbard Godfrey Architects, Inc.

San Francisco

Established full service architectural and design firm specializing in hospitality, institutional, retail, tenant improvement, master planning and residential projects

San Francisco Giants, Gotham Clubhouse Bar & Dining
San Francisco Giants, Gotham Club Game Room
San Francisco Giants, Luxury Suites Improvements
San Francisco Giants, Social Media @ Café
San Francisco Giants, Promenade Level Improvements
San Francisco Giants, Virgin America Flight Deck
San Francisco Giants, Virgin America Loft Suite
San Francisco Giants, Audi Legends Club Suite
San Francisco Giants, Champions Suite
San Francisco Giants, Ghirardelli Square South
San Francisco Giants, Executive Building Improvements
San Francisco Giants, Gallery & Club Level Improvements
San Francisco Giants, Corona & Service Level Improvements
San Francisco Giants, Press Dining Improvements
San Francisco Giants, Lexus Dugout Suite
San Francisco Giants, Dugout Store
San Francisco Giants, Dugout Store
San Francisco Giants, Dugout Store
Exploratorium, TACTILE Dome Exhibit
SkinSpirt Skin Care Clinic & Spa
SkinSpirt Skin Care Clinic & Spa
SkinSpirt Skin Care Clinic & Spa
SkinSpirt Skin Care Clinic & Spa
SkinSpirt Skin Care Clinic & Spa
SkinSpirt Skin Care Clinic & Spa
Halo – Blow Dry Bar, Hair Salon
Halo – Blow Dry Bar, Hair Salon
Yves Delorme
Schurter Industries
Comcast Office Improvement
Spruce Street Commercial renovation
RCI Warehouse Office Conversion
International Data Corporation
International Data Group
Allyn Avenue Residence (remodel, addition, landscape)
Preston Residence (remodel & addition)
Orser Residence (remodel & addition)
Jones Residence (remodel)
Severynse Residence (remodel)
Torres Residence (remodel, addition, landscape)
Heublein Takacs Residence (new construction, landscape)
Fortuna Avenue Residence (remodel)
Radford Residence (remodel & addition)
Berkowitz Residence (remodel & addition)
Moreland Residence (addition & master plan)
Peck Residence (new construction)
Almgren Residence (remodel)
Preston Residence (landscape & master plan)
Fine-Levinson Residence (remodel)
Ranch Road Residence (remodel)

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ATT Park, San Francisco
Walnut Creek, San Francisco
Pier 15, San Francisco
Bellevue, Washington
University Village, Washington
Redmond, Washington
Mill Valley, California
Walnut Creek, California
Palo Alto, California
Burlingame, California
Menlo Park, California
Burlingame, California
Santa Rosa, California
San Francisco
San Francisco
Oakland
San Mateo
San Francisco & San Mateo
St. Helena
St. Helena
San Francisco
San Francisco
San Francisco
Orinda
Woodside
San Francisco
Portola Valley
Portola Valley
St. Helena
Santa Cruz
Portola Valley
St. Helena
Palo Alto
Woodside

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415.379.1701 fax
Hilary@HubbardGodfrey.com

Professional Experience

Herman & Coliver Architecture

San Francisco

Project Manager, Architect & Designer

Congregation Kol Shofar Temple – Expansion & Remodel
Temple B'nai Israel – Expansion & Remodel
Oak Center Adult Day Health Facility
Redwood Day School – Expansion & Remodel
Center for Elders Independence
Pacific Grove Senior Housing
UAHC Camp Swig

Tiburon
Sacramento
Oakland
Oakland
Oakland
Pacific Grove
Los Gatos

Baum Thornley Architects

San Francisco

Project Leader & Designer

Presidio Hill School
Missouri Street Housing
Howard Street Remodel & Seismic upgrade
Day Casebeer Madnd & Batchelder Law offices

San Francisco
San Francisco
San Francisco
Cupertino

Kapell and Kostow Architects

New York

Project Architect and Designer

Beach Plum Park Lot 2 Residence
Beach Plum Park Lot 7 Residence
Hamamoto Residence
MTV Networks – VH1 Production Facility
MTV Networks – VH1 Production Offices
MTV Networks – Broadcast Studio B
AngelBeat.com Offices
Mad River Post Production Facility

Montauk
Montauk
New York
New York
New York
New York
New York
New York

Davis Brody Bond Architects

New York

Designer & Job Captain

New York Public Library – New South Court Building
New York Public Library – Center for Scholars & Writers
Vanderbilt University – New Medical Research Master Plan
Yeshiva University, Stern College
The New Constitutional Court Building Competition
City of Yonkers, Waterfront Development Competition

New York
New York
Nashville
New York
South Africa
Yonkers

Backen Arrigoni Ross Architects

San Francisco

Designer

Osprey Pointe Residential Development – Master Plan
Osprey Pointe Residences at Crosswater
Sunriver Resort Lodge

Oregon
Oregon
Oregon

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415.379.1701 fax
Hilary@HubbardGodfrey.com

Professional Experience

Nardi Associates Architects & Designers

Florence, Italy

Designer

*Dolce & Gabbana Retail Showroom
Universal Gymnasium Cafeteria & Bar
Di Russo Medical Offices
Piazza Matteotti Park & Community Center Competition*

*Milan
Prato
Bari
Matera*

Education

*Master of Architecture, Columbia University
Post Baccalaureate in Fine Arts, Studio Art Centers International
Bachelor of Arts in Architecture, University of California*

*New York
Florence, Italy
Berkeley*

Professional Associations

*Licensed Architect, State of California
American Institute of Architects*

Paul Switenki, PE



Profession
Mechanical Engineer

Current Position
Associate

Joined Arup
1996

Qualification
PE, State of California,
Mechanical, 2005
MS, Civil Engineering, Building
Energy Systems, University of
Colorado
BAE (HVAC emphasis),
Pennsylvania State University

Professional Associations

Member, ASHRAE (American
Society of Heating, Refrigeration
and Air Conditioning Engineers)
Member, ASHE (American
Society of Healthcare Engineers)

Paul Switenki is a multidisciplinary project manager and Mechanical Engineer with Arup. He has a strong background in building physics and project delivery and has applied his strengths in low-energy HVAC system design and multi-discipline coordination to Healthcare and Arts & Culture projects. He also has experience with all types of commercial, educational and institutional facilities.

Paul Switenki has applied his strengths in low-energy HVAC system design and multi-discipline coordination to Healthcare and Arts & Culture projects

Healthcare:

University of California, San Francisco Mission Bay Hospital, Outpatient Building and Energy Center, San Francisco, CA

Paul was the Lead Project Mechanical Engineer for the UCSF Mission Bay Hospital (Phase I) site. The project consists of a 645,000ft², 289-bed acute care hospital, a 193,000ft² outpatient building and 36,000ft² Energy Center that delivers chilled water, hot water and steam to the hospital and outpatient building. UCSF is hoping for LEED certification and is participating in PG&E's Savings By Design program. The buildings are conditioned by 100% outdoor air units with energy recovery loops. The Hospital is one of the few OSHPD-reviewed hospitals to be looking at variable air volume systems instead of the typical, energy-consuming constant volume system. It is also one of the first projects to undergo concurrent (phased) OSHPD review.

Kaiser Permanente, Template Hospital & Central Utility Plant, Multiple Locations, CA

Lead Mechanical Engineer for a 400,000ft², 175 bed acute care hospital on Kaiser Permanente's Vacaville Campus. The team was also tasked with determining how the existing Central Utility Plant (CUP) could be upgraded or expanded to include the new hospital and future campus medical facilities. Efforts at Vacaville were rewarded when Kaiser decided to use the Hospital as a template for two other sites in Northern California and one in Southern California. As Project Mechanical Engineer, Paul led the original Hospital and Central Utility Plant HVAC studies and coordination efforts. Throughout design and construction administration he has been responsible for orchestrating the efforts of over a dozen engineers from three Arup offices. His close working relationship with the Chong/Smith team has been instrumental in securing Arup's continuing role with Kaiser and the Joint Venture.

Kaiser Antioch Hospital, Antioch, CA

Lead Mechanical Engineer. The Antioch Hospital is considered the true “template” acute care hospital. 350,000ft², 175 patient beds.

Kaiser Modesto Hospital, Modesto, CA

Lead Mechanical Engineer. Includes an additional Patient Tower floor and an expanded Nursery and Labor/Delivery Department. 400,000ft², 225 patient beds.

Kaiser Sand Canyon Hospital, Irvine, CA

Mechanical Engineer. The Sand Canyon hospital includes two additional Patient Tower floors and a full-service kitchen replaces the Template’s food preparation area. To help meet additional site-specific cost constraints, Paul met with the owner and mechanical subcontractor to review the subcontractor’s suggested specification-related value engineering measures. The owner was able to reduce first costs and clearly understand what elements of the design were being compromised. 450,000ft², 275 patient beds.

Kaiser Vacaville Hospital, Vacaville, CA

Lead Mechanical Engineer. The Vacaville layout mirrors that of the Antioch Hospital. 350,000ft², 175 patient beds

Kaiser Antioch Central Utility Plant (2007), Antioch, CA

Contributing engineer. The Antioch Central Utility Plant (CUP) was also part of the original Template Hospital scope of work. It serves the Hospital, the adjacent Hospital Service Wing (HSW) building and has been sized for a future Hospital expansion.

Kaiser Modesto Central Utility Plant (2007), Modesto, CA

Contributing engineer. The Modesto CUP serves the Hospital, the adjacent Hospital Service Wing (HSW) building. It is configured for future expansion to serve a future Hospital expansion and two future Medical Office Buildings.

Kaiser Permanente, Central Utility Plant Study, Vacaville, CA

Contributing engineer. Arup and the Joint Venture looked into several combinations of re-use and new-build, giving particular consideration for the existing equipment and changes in Seismic Code since the original CUP’s construction.

Yale University Medical Center, New Haven, CT

Mechanical Peer Review providing internal review for Arup’s Boston office, reviewing DD and CD documents, establishing global healthcare business contacts in the process.

Enumclaw Medical Center, Enumclaw, WA

Mechanical Engineer providing schematic design advice to Arup’s Seattle office leadership, helping increase the office’s growing healthcare knowledge.

Central Middlesex Hospital, London, UK

Mechanical Engineer. Paul spent eight weeks with Hayden Young, a mechanical subcontractor working on the construction of a new hospital in London. Paul spent several weeks assisting pipe-fitters with placement of copper and steel pipes. He also spent several weeks working for the subcontractor's quantity surveyor, comparing quotes from HVAC equipment suppliers.

Arts and Culture:

Lucas Contemporary Art Museum, San Francisco, CA

Project Manager for a proposed \$300M, 95,000 ft² museum in the historical Presidio. MEP, Fire/Life Safety, Lighting, Transportation and Civil.

California Academy of Sciences, San Francisco, CA

Paul served as the Mechanical Project Engineer during the construction phase of this high profile, multi-use building in Golden Gate Park. The Academy incorporates exhibit space, natural ventilation, aquariums, planetarium, rainforest dome, laboratories and offices and has achieved LEED Platinum Certification.

Green Music Center, California State University at Sonoma Rohnert Park, CA

Paul was the Project Mechanical Engineer for the proposed 112,000ft² music center. Originally scheduled for completion in 2002, the center was to feature a 1400-seat concert hall, a 300-seat organ recital hall, a 2-story, glazed lobby and a similar 2-story, glazed conference area. The center also contains support spaces including practice rooms, concessions and offices for Sonoma State University's music department. On-site chilled and heating hot water serves custom AHUs, fan coils and VAV boxes throughout the center. The concert hall floor and the performance platform are raised and served by displacement ventilation from below. Facades were developed to include high-performance glazing and external shading devices.

Mondavi Center for the Arts Performance Hall, University of California at Davis, Davis, CA

Paul was Project Engineer for the 97,000ft², multi-purpose performing arts center. The 1800 seat performance hall includes variable acoustic mechanisms and is served by an underfloor displacement ventilation system. The 350-seat studio theater is cooled via a VAV air handler and heated with an in-floor hydronic (radiant) heating loop. The main lobby is an expansive glass box cooled with a variety of custom displacement diffusers at each of four floor levels. Poured concrete "trenches" provide an air path that serves the lowest level. CO2 sensors limit unnecessary heating and cooling of outdoor air. The smoke purge system was designed to comply with California Fire Code. The three levels that comprise the Back-of-House are served by a VAV system, but acoustically sensitive spaces within are provided with chilled beams and ceiling induction diffusers.

San Mateo Public Library, San Mateo, CA

Paul assisted the Project Mechanical Engineer with the design and took over as Project Engineer in Construction Administration of this three-story, 80,000ft², LEED Gold Certified library. Paul was involved with design of the raised floor displacement ventilation system and the atrium smoke control system.

Minnesota Science Museum, St. Paul, MN

While interning for Ellerbe Becket in Minneapolis, Paul researched temperature and humidity effects on artwork, metals, woods, animal skins and other displayed materials, assisted in the “thermal” zoning of a 300,000ft² science museum. Each zone was defined according to the level of environmental control required, and organized so adjacent zones’ requirements were similar. This “buffering” hierarchy helped determine the overall form of the museum and visitor circulation routes. He also determined the optimal methods of central air humidification and dehumidification through life cycle costing.

Commercial Property:

Confidential Office Building, CA

Project manager for this 250,000 ft² office building at a biotechnology company’s campus. Arup provided mechanical, electrical and plumbing hand-over documents, and the lighting and fire/life safety consulting for this “Highly Collaborative Project Delivery”, pseudo-IPD effort where the design team assisted the design-build team during Contract Document and Construction Administration phase.

Confidential Wellness Center, CA

Project manager for this 75,000 ft² wellness center at a biotechnology company’s campus. Arup has provided mechanical, electrical and plumbing and lighting consulting to date.

Sun Microsystems Campus Phase 2, Newark, CA

Paul was the Project Engineer responsible for preparation of conceptual HVAC design presentations to the client.

40 Grosvenor Place, London, UK

Paul assisted the Project Mechanical Engineer with all major HVAC design tasks including calculation of thermal loads, pressure drops, sound levels, energy consumption, CO₂ production and life cycle costs; design of raised floors and chilled ceilings; preparation of HVAC conceptual display boards, drawings and specifications. He attended monthly coordination, design review and partnering meetings; used in-house analysis tools to develop the glazing specification and the extent of shading devices; researched equipment possibilities for chilled ceilings, perimeter heaters, FCU boxes, boilers, chillers and cooling towers; performed thermal analyses while assisting Arup R&D in the development of software that handles re-transmitted radiation through atria and the thermal

effects of chilled ceilings.

2 The Square - Stockley Park, London, UK

Performed BREEAM (UK equivalent to LEED) audit of 3-floor office building near London. Worked with Architect and Building Simulation Official to create thermal model of low-energy, mixed mode office air conditioning system. Assessed other mechanical and non-mechanical criteria, compiled results into BREEAM application, and submitted forms to certification board.

Tower Place, London, UK

Researched "green" building design and assisted graphics department in the preparation of mechanical and architectural conceptual presentation boards and booklets.

Moscow Bank, Moscow, Russia

During internships with Ellerbe Becket, Paul assisted the Project Mechanical Engineer with layout and sizing of HVAC systems, and document preparation and issue.

Education:

La Ki Shing Center for Learning and Knowledge, Stanford University, Palo Alto, CA

Design of mechanical systems for new 120,000ft² facility housing knowledge management, classroom, seminar rooms, conference center, Deans office, Office of Student Affairs and student life programs. Generated schematic documents and provided third party overview during design and build (D&B) stage.

University of Nottingham New Campus, Nottingham, UK

This low energy campus, consisting of five main buildings, won an EU Thermie grant for low energy building system provision. Low energy HVAC features include low pressure air handling units and distribution and return systems, underfloor (displacement) air conditioning, heat recovery, rooftop photovoltaics and radiant underfloor heating systems. Assisted in the design of the customized air handling units and helped quantify the low energy solutions by comparing life cycle costs with those of typical campus building construction. Also reviewed and updated drawings, single line diagrams and schedules, assisted with architectural coordination issues, reviewed bid packages, and attended site construction progress meetings.

Carlson School of Management, University of Minnesota, Minneapolis, MN

While with Ellerbe Becket, Paul calculated heating, ventilation and cooling loads and for this classroom/office building. Also routed duct and pipework and sized major HVAC equipment.

Harvard University, Cambridge, MA

Paul assisted Arup's Facades Group by performing thermal analyses

of a double-skinned façade.

Sport:

Saint Mary's College – McKeon Pavilion Renovation, Orinda, CA

Project manager for expansion of existing gymnasium for NCAA Division I athletic program. Added seating, entry lobby, training room and athletic department offices. Upgrade of media truck facilities and added seating. Arup has provided preliminary design for structural and MEP systems, and also fire/life safety consulting.

High Performance Athletics Center, Berkeley, CA

Peer review and attended value engineering services for the University of California-Berkeley's \$90 million, 145,000ft² High Performance Athletics Center.

Football Stadium Expansion, University of Notre Dame, South Bend, IN

Ellerbe-Becket designed a façade to enclose the existing one, thereby adding a new concourse and 35,000 seats to Notre Dame's famous stadium. Paul performed thermal studies to size HVAC equipment and to determine the most cost-efficient glass for the enlarged press box. Paul was also responsible for coordinating mechanical, electrical and plumbing routes in these new areas.

Marine Midland Arena, Buffalo, NY

Assisted the Mechanical Team with the design and layout of the supply and waste piping systems for the 18,000-seat arena for the National Hockey League's Buffalo Sabres. Primarily responsible for the development of plumbing drawings, including plans and isometrics.

Government:

Public Safety Building, San Francisco, CA

Project manager for \$164M, 200,000 ft² new building that includes police headquarters, district police and fire stations, arson task force facilities, parking garage, reuse and incorporation of an existing historic fire station. Managed integrated design, structural peer review, mechanical, electrical, public health engineering, daylighting consulting, facades design, ICT peer review and building code analysis.

Seattle Justice Center, Seattle, WA

The southwest side of the 183,000ft² building incorporates a 9-story ventilated façade as an architectural feature. Paul performed cavity and perimeter zone comfort and thermal analyses to help determine the glazing types, shading devices and cavity damper control sequence of operations.

Hotels and Leisure:

Ian Schrager Hotels, Sanderson Building, London, UK

Ian Schrager Hotels bought an historic London textile showroom and proposed to convert it into a 5-star hotel. Performed significant portions of the initial feasibility studies including existing conditions reports, HVAC plant and equipment sizing and locating, and service routing. Assisted coordination of room-by-room service routing to develop prototypical room types.

Residential:

155 Macquarie, Sydney, Australia

Paul performed thermal analyses of various façade types to assist the architect with specifying glazing, blinds and external shading. The building is a residential high-rise owned by the Australian government. It has a sheer, glazed façade.

Retail:

Prada, 185 Post Street, San Francisco, CA

Prada was to be a 10-story retail/office building in downtown San Francisco. Designed by Brand & Allen Architects, the building's exterior walls were to be perforated, stainless steel panels with glazed perforations and several types of transparent, insulated backings. Sixth floor was to be an outdoor "patio" with a glass floor acting as the top layer of a luminous ceiling to the fifth floor. Paul performed initial ASHRAE Standard 90.1 calculations and advised the architect on various envelope construction options. The resulting information was to be used to assure California Title 24 energy compliance.

Research:

Project Manager for assessment of the potential for existing California commercial building stock to convert to natural ventilation or mixed-mode ventilation. Also investigated fire/smoke control and acoustic barriers to the implementation of natural ventilation.

Education

University of California, Berkeley
Ph.D., Civil Engineering
M.S., Civil Engineering

Tianjin University, China
B.S. Structural Engineering

Registrations & Accreditations

Registered Structural Engineer in
California, Washington, Pennsylvania, Arkansas

LEED 2.0 Accredited Professional

Professional Associations

Structural Engineers Association of
Northern California

American Society of Civil Engineers

American Institute of Steel Construction

Earthquake Engineering Research Institute

Experience

Louie International
San Francisco (2010 - Present)

Middlebrook + Louie
San Francisco (1996 - 2010)

Ove Arup & Partners
Los Angeles (1994-1996)

Skidmore Owings & Merrill
San Francisco (1990 - 1994)

Selected Design Experience

45 Lansing Street (San Francisco): a 39-story residential tower in post-tensioned concrete. (currently in construction)

Mission Bay Life Sciences Building (San Francisco): a 5-story, 165,000 sf biosciences research / office building.

The GAP Headquarters Building (San Francisco): a 15-story, 540,000 sf building -- the first large structure in Northern California to use High Volume Fly Ash Concrete, a sustainable design material. It was also the first large building in the area to feature a hybrid system with a concrete core and steel perimeter frames.

eBay Building 17 (San Jose): a 5-story office building connected to a single-story cafeteria building; over 186,000 sf in all. (LEED Gold)

259 and 269 East Grand Avenue (South San Francisco): 5-story, research/admin buildings for pharmaceutical tenants. 259 East Grand is finished and occupied / 269 East Grand is in construction.

Pleasanton Corporate Commons (Pleasanton): four 5-story office buildings; 600,000 sf.

681 Gateway (South San Francisco): a 4-story, 125,000 gsf biotech research and administration building.

701 Gateway Boulevard (South San Francisco): a 6-story office building; 180,000 sf.

611 Gateway at Oyster Point (South San Francisco): a 12-story office building with a 4-story podium for retail and parking. 270,000 sf.

Parkside Towers (Foster City): two 6-story office towers atop a 2-story podium structure; 880,000 sf. The podium includes retail space and parking for 1,280 vehicles.

Maples Pavilion (Stanford): renovation and expansion of a major sports complex, featuring a new underground level, 300 additional seats, and modifications to existing roof trusses for a new state-of-the-art scoreboard.

Arrillaga Alumni Center (Stanford): a 3-story building with a business center, offices and a meeting hall. 144,000 sf.

Menlo School Liberal Arts & Math/Science Buildings (Atherton): a pair of 2-story buildings, featuring a 200-seat theatre.

New Doha International Airport (Doha, Qatar): Edward assisted in the design of a major new airport, and provided on-site Construction Administration assistance.

Additional design experience available upon request. Peer review experience and Publications are listed on the following page.

Selected Peer Review Assignments**700 Olive Street / Seattle, Washington**

Peer Review services for the City of Seattle. This project was a 23-story office tower with 7 levels of basement parking; approximately 700,000 gsf. The total height of the building exceeds 300 feet.

819 Virginia Street / Seattle, Washington

Peer Review of a 34-story reinforced concrete mixed-use tower for the City of Seattle. The lower 9 floors are devoted to parking, and the remaining floors are for residential use. The building is approximately 350,000 gsf, and nearly 450' tall.

CBD Blocks C & D / Tianjin, China

Peer Review of the Design Development for four 130 meter-tall office buildings with shearwall cores, steel framing and perimeter moment frames (with beam-to-box column connection tests). This assignment also included Schematic Design for 1 of the 4 towers.

ISIS Pharmaceuticals HQ / Carlsbad, California

Peer Review of the design of a 2-story office building. The review included design recommendations for the steel framing system to allow the installation of lab facilities.

Selected Publications (co-author)

"Response of an Ultra-Tall Composite Structure to Large Wind and Moderate Seismic Forces - Fairwell International Center, Xiamen, China" (Journal of the American Society of Civil Engineers [ASCE], 1999)

"Seismic Design of An Eccentrically Braced Space Frame" (ASCE Journal of Structural Engineering, 1997)

"Dynamic Behavior and Seismic Design of Structural Systems Having Multiple High-rise Towers on a Common Podium" (Proceedings, 11th World Conference of Earthquake Engineering, 1996)

"Design Issues Associated with Outriggers in Concrete High-Rise Buildings" (Proceedings, ASCE Structures Congress XIV, 1996)

"Study of Application of Viscous Dampers in Seismic Joints" (International Conference on Structural Dynamics, Vibration, and Noise Control, 1995)

"Seismic Retrofitting of U.S. Court of Appeals Building" (Proceedings, 5th U.S. National Conference of Earthquake Engineering, 1994)

"Response of RC Frame Under Lateral Loads" (ASCE, Journal of Structural Engineering, 1991)

John J. Sims

90 Alta Street, #3
San Francisco, CA 94133
Cell 415-361-9161
Land: 415-781-8120
Email: johnjacobsims@yahoo.com

Career History

- 1972 - 1975: Gallery Assistant, Herbert F. Johnson Museum of Art, Cornell University, Ithaca, NY; cabinetmaker, carpenter, installer, art handler
- 1975 - 1981: Carpenter, Project Supervisor and Design Professional; residential remodeling and new construction projects for property owners in San Francisco, Prescott, AZ, Maui, HI and Clinton, NY
- 1981 - 1995: General Contractor (California "B" license #388301) and design professional for residential and small commercial projects in San Francisco; specialized in structural and seismic upgrades and garage installations in existing wood framed buildings; design work and plans drafting for numerous projects; extensive interaction with the Dept. of Building Inspection in the plan review process and site inspections
- 1995 - 2006: Building Inspector (6331), Dept. of Building Inspection
1995-1997: Disabled Access Division; field inspector investigating complaints
1997-2002: District #8; district inspector
2002-2003: District #10; district inspector
2003-2004: District #2; district inspector
2004-2006: District #1; district inspector
- 2006 - 2010: Building Inspector (6331), Dept. of Public Works; OSHPD Inspector of Record, Laguna Honda Hospital Replacement Program, for the East Residential Building and all piped utility systems
- 2010 - 2013: Building Inspector (6331), Dept. of Public Works
Resident Engineer Golden Gate Valley Library Rehab Project
Construction Inspector Chinese Recreation Center Project
Resident Engineer Marina Green West Restroom
Construction Inspector Pelaga Playground Project
- 2013 - Owner, Sims Construction Consulting

Certifications

ICC Building Inspector UBC
ICC Building Plans Examiner UBC
ICC Accessibility Inspector/Plans Examiner
OSHPD Class A Hospital Inspector
NITC Medical Gas Inspector

Education

Bachelor of Arts Degree, Hamilton College, Clinton, NY 1972



MEMORANDUM

March 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MM*
Executive Director

SUBJECT: Informational Presentation on the Port-BCDC Planning Study associated with the approval of the James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects

DIRECTOR'S RECOMMENDATION: Informational Presentation

Summary

On July 10, 2012, the Port Commission approved Resolution 12-56 authorizing Port staff to enter into a contract with the San Francisco Bay Conservation and Development Commission (BCDC) to conduct planning studies to address specified public access and public benefit obligations associated with BCDC's approval of the James R. Herman Cruise Terminal and Northeast Wharf Plaza projects. This staff report provides an update of the public process, the preliminary findings and next steps.

In summary, Port and BCDC staff have convened a Port-BCDC Working Group of community stakeholders to engage discussions about the various forms of existing and desired public benefits for the waterfront. This initial input is assisting both agencies in developing public benefit concept proposals that will be presented in a public workshop for public review and comment within the next two months, leading to future staff recommendations to the BCDC and Port Commissions about public benefits that satisfy the Pier 27 project obligations, as well as provide a comprehensive review of ways to improve the Port of San Francisco waterfront.

Background

As part of the required approvals to implement the James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects, the Port sought plan amendments and a major

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permit from the San Francisco Bay Conservation and Development Commission (BCDC). The amendments to BCDC's *San Francisco Waterfront Special Area Plan (SAP)* allowed for siting of the primary cruise ship terminal at Pier 27 and the possible retention of the entire Pier 23 shed. The amendment eliminated prior SAP requirements to create an open water basin that included the removal of the eastern end of Pier 23; use of Pier 27 apron exclusively for public access (vs. shared with cruise operations); other public access provisions affecting other areas of the site including the Pier 27 Tip; and specified public view standards for the Northeast Wharf Plaza.

The BCDC amendment required that public access and pier removal be sited on nearby piers. Further, BCDC required that the Port and BCDC staff undertake a public process to identify new public benefits that would satisfy those requirements by identifying a new open water basin, new locations for public spaces and an evaluation of the Port's historic resources and its approach for preserving the Embarcadero Historic District. Public benefit solutions identified through this process would be recognized in further amendments to the BCDC SAP, and possibly the Port's Waterfront Land Use Plan.

Port-BCDC Working Group

To help frame the issues and discuss public benefit improvement concepts, BCDC and Port staff elected to convene a working group of stakeholders from diverse perspectives along the waterfront. Rather than having staff generate public benefit options to satisfy the Pier 27 project requirements, the Port-BCDC Working Group has provided a forum to take a comprehensive look at the waterfront, primarily from Fisherman's Wharf to South Beach, to provide feedback to both agencies about what works along the Port's waterfront, and where efforts should focus to further improve the waterfront for the public's benefit. Staff has greatly appreciated the dedication of time and attention from the Working Group members listed on the Port's website:

<http://sfport.com/modules/showdocument.aspx?documentid=6831>.

They represent the diverse interests along the waterfront, including maritime, environmental, public access, visitor, business, park and public space, design, neighborhood, Port tenant, historic preservation, labor and transportation stakeholder representatives. Staff also has benefited from facilitation assistance provided by Sarah Karlinsky, Public Policy Director for SPUR, and support and attention from Port Commission President Leslie Katz and BCDC Commission Vice Chair Anne Halsted.

Since March 2013, the working group has met several times, including walking tours in Fisherman's Wharf, Pier 27 and vicinity, and the Ferry Building and Farmer's Market area behind.¹ The discussions have been informative and collaborative, educating all on different aspects of the Port, and public experiences of the waterfront. This has promoted a platform for better understanding of the inter-relationships between public access and maritime uses, access and facilities for water-oriented recreation (e.g. kayaks), open water basins (protected Bay waters that preserve expansive public bay

¹ Meeting notes, maps and documents are available on the Port's website: <http://sfport.com/modules/showdocument.aspx?documentid=6831>.

views) and several specific sites—including the unplanned public space at the end of Piers 27-29, Ferry Plaza and Fisherman's Wharf.

There is a recognition that the interest and vibrancy of San Francisco's waterfront draws from the diverse mix of activities, the iconic architectural resources of the Embarcadero Historic District, and Fisherman Wharf's rich fishing industry history, which together make the public access experience unique and dynamic, as well as offering extraordinary experiences of San Francisco Bay.

Working Group Public Benefit Ideas

The Working Group discussions, comments and recommendations have been collected into a report posted on the Port's website:

<http://sfport.com/modules/showdocument.aspx?documentid=7255>.

Below are some preliminary findings from the working group:

- **Way finding** and public amenities (e.g., bicycle parking, restrooms, water fountains) and interpretation needs improvement in order to increase and enhance the use of existing and future public access and public spaces, and understanding of the waterfront's history, stories and attractions. Use design, social media, signage, technology and other strategies to make these improvements.
- **The Embarcadero Promenade** and roadway are often over-crowded with multiple users and uses. Identifying improvements to bicycle travel, better connections between the west side and the east side of the roadway and more public areas adjacent to the Promenade may improve the way this popular thoroughfare functions.
- **Ferry Plaza public spaces** and public access do not currently provide much benefit for the public. However, due to the popularity of the surrounding area, the non-historic buildings on much of the site and the opportunity for bay views, public benefits and public improvements should be focused at the Ferry Plaza location.
- **Maritime uses** including cruise ship, ferry and excursion boats, harbor services and fishing boats are authentic and create visual and educational interest that enhance public enjoyment of the waterfront. Public access along the perimeter of piers is important and should be expended in new projects. However, accommodations should be made for security and/or operational restrictions for certain types of maritime berthing functions that may limit or preclude public access. To the extent possible, identify facilities where such maritime berthing priority should be recognized.
- **The Pier 27-29 Tip** provides incredible and unique views of the bay, the surrounding bay shoreline and back to San Francisco. Due to the distance of the site from The Embarcadero Promenade, it will be important to find ways to draw people to the site through way finding, design, uses and activities.
- **Fisherman's Wharf** public access, public open spaces and way finding all need to be expanded and improved. The meandering wharves, docks and alleyways

between Taylor Street and the Hyde Street Fishing Harbor and within Fish Alley are unique and unknown to San Franciscans, and offer a public access experience that is not available anywhere else along the waterfront. Improvement of these underutilized areas would highlight the character and history of the fishing industry that appeals to locals and visitors alike.

- **Marginal wharves** provide an opportunity for public access and public spaces close to The Embarcadero Promenade and in already popular locations.
- **Pier and Bulkhead buildings** of the Embarcadero Historic District provide important public benefits and should be retained and preserved if possible. The removal of non-historic structures to open up public bay views and increase open water should be prioritized before removal of historic pier buildings.
- **Water-oriented recreation activities** and amenities should be identified and implemented in various locations and launch areas to improve such activities (e.g. kayaks), including facilities for storage and services. Identify the location or locations for non-profit providers to serve the community by providing access on to the bay. Identify this use specifically as a public benefit.
- **Implementation**, including funding and timing, needs to be identified for the public benefits prioritized by the working group.
- **Working Group subcommittees** should be developed to help staff provide more detail and specificity on several issues and locations, including Ferry Plaza, Fisherman's Wharf and way finding.

Next Steps

Staff will work further to distill the above issues and report recommendations into concept proposals for a public workshop, to solicit public review and comments necessary to arriving at staff recommendations. To do so, staff is undertaking the following next steps:

1. Work with subcommittees: Several Working Group members have signed on to volunteer more time in the following subcommittees to develop more specific concepts and definition of public benefits for the public workshop: (i) Ferry Building Plaza area (bayside of the Ferry Building); (ii) Fisherman's Wharf, and (iii) Portwide way finding, amenities and improvements. Subcommittees will meet in March and April 2014, prior to presenting findings and recommendations to the public in a public workshop.
2. Host a public workshop, anticipated in late April or May 2014. The public benefit concepts and recommendations will be revised, as needed, to respond to public comments.
3. Estimate funding & implementation requirements. Staff also will be addressing the funding and implementation requirements associated with public benefit ideas and recommendations.
4. Presentation to Port Commission. Staff anticipates presenting findings and recommendations, including implementation requirements, to the Port and BCDC

Commissions in Summer 2014. The findings and recommendations, if acceptable, would lead to a draft proposal of amendments to BCDC's SAP and, as needed, the Port Waterfront Land Use Plan.

5. Update BCDC SAP & Port Waterfront Land Use Plan.

The Working Group discussions have been thoughtful, forward-looking and comprehensive. They provide many insights on ways to further improve upon the waterfront open space and public amenities that have been realized in recent years. As a result, Port and BCDC staff proposed that the Working Group hold 1-2 more meetings to address possible off-site public benefits for the Golden State Warriors Multi-Use Event Center Project at Piers 30-32 (GSW Project). For that project, the State Legislature approved AB1273, which includes provisions allowing BCDC to include off-site public benefits in future approvals of the project, should BCDC so determine. Many existing Working Group members are willing to participate in further meetings on this issue, with the understanding that such involvement does not convey any position on the GSW Project. City and Port staff have also invited representatives of the Piers 30-32 Citizens Advisory Committee (CAC) to participate in these discussions, which are anticipated to be scheduled in March and April. The findings and recommendations of these meetings would be presented at a public meeting of the Piers 30-32 CAC to solicit public comments, and then forwarded to BCDC for its consideration. BCDC would reserve exclusive authority to determine whether any of the off-site benefit recommendations would be included in any future BCDC recommendations for the GSW project.

Staff expresses its deep appreciation to the Port-BCDC Working Group and to Sarah Karlinsky, for their civic dedication to this planning effort.

Prepared by: Diane Oshima
Assistant Deputy Director, Waterfront Planning

For: Byron Rhett
Deputy Director, Planning & Development



MEMORANDUM

March 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational Presentation on the nomination of the Union Iron Works Historic District at Pier 70, a 66-acre waterfront property, generally bound by Illinois and 22nd Streets on the west and south and the San Francisco Bay on the north and east, for listing on the National Register of Historic Places

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

EXECUTIVE SUMMARY

This staff report provides a progress report on the Port's nomination of the Union Iron Works (UIW) Historic District at Pier 70 for listing on the National Register of Historic Places (National Register), and information about the central role the historic district played in formulating the Pier 70 Preferred Master Plan (Master Plan), and the current waterfront park and development efforts underway.

Pier 70 encompasses 66 acres roughly bound by Illinois and 22nd Streets and the San Francisco Bay. The nomination report identifies and documents the 44 historic resources that contribute ("contributing resources") to creating the historic district (see Pier 70 location and historic resource site maps in Attachment 1, and identification of resources in Attachment 2). The nomination report documents the significance of UIW and Bethlehem Steel, both established at Pier 70, and their role in the nation's maritime history supporting multiple war efforts, as well as in the evolution of industrial architecture in the San Francisco. Pier 70's historic resources are widely recognized as the most intact industrial complex west of the Mississippi that represents the industrialization of the Western United States. The Pier 70 UIW built or repaired ships

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from the Spanish American War in 1898, and continues today. It was the first yard developed to construct steel hull ships and was the site where much of the Nevada Silver Rush mining equipment was manufactured. Registration of the site as a National Register historic district honors the significance of the site and supports rehabilitation of its contributing resources by making them eligible for Federal Rehabilitation Tax Credits for projects that meet the Secretary of the Interior's Standards for the Treatment of Historic Properties. The Federal Rehabilitation Tax Credit program has proven to be a critical financing tool in Port rehabilitation development projects, as witnessed in the Ferry Building, Pier 1, Piers 1-½, 3 & 5, and the Exploratorium at Pier 15, and will be just as important at Pier 70.

The historic district nomination report, prepared by Carey & Company, Inc. Historic Preservation Consultants, was approved by the California State Historical Resource Commission on February 6, 2014. In March 2014, the nomination report will be forwarded to the National Park Service for consideration for listing on the National Register.

This Port Commission Informational Presentation provides an overview of the planning and policy context for the Port's historic district nomination, a summary of Pier 70's rich maritime history embodied in its contributing resources, a status report of the current projects underway to enable rehabilitation many of them, and next steps.

BACKGROUND

The Port acquired much of the former UIW Shipyard at Pier 70 in 1982 from Bethlehem Steel. The Port has leased a 19 acre portion of the site along the northeast shoreline for ship repair operations, which constitutes the oldest continuously operating ship repair facility on the west coast. As discussed in further detail below, under Historic Significance, Pier 70 was a major industrial center from 1865 through World War II, employing thousands of workers. Today, 45 contributing resources remain, shown in the Pier 70 site map in Attachment 1, and identified in Attachment 2.

The maritime and historic significance of Pier 70's continuing ship repair industry and extraordinary collection of historic buildings is recognized in the policies of the Port's Waterfront Land Use Plan. Due to the historical importance and deteriorated condition of many of the structures, historic preservation and rehabilitation was a primary driver for a major commitment of Port resources and community planning and development efforts, which ultimately led to producing the Pier 70 PMP in 2010. A September 20, 2012 Port Commission staff report on the Port's website at <http://www.sfport.com/modules/showdocument.aspx?documentid=4718> provides a detailed account of the planning issues and public process that was involved in that work.

As part of the planning effort, the Port hired Carey & Company, Inc. Historic Preservation Consultants, to advise the Port and planning consultant team on how to develop a master plan for Pier 70 that recognized the site's history and resources. Carey & Company helped develop the preservation policies, categorize and prioritize historic resources, and develop design criteria so that new development would be

respectful of the contributing resources and the historic district. Carey & Company also prepared the UIW Historic District nomination report.

The Master Plan provided an important planning framework that has allowed the Port to make significant progress in shaping the future of Pier 70 by advancing the creation of the historic district and an understanding of the property's rich maritime history. In addition, the Master Plan provides infill development opportunities necessary to help realize the Plan's goals, including the provision of needed infrastructure, environmental remediation, historic rehabilitation and retention of an active shipyard, creation of new parks and waterfront access. The Plan's historic preservation goals are:

- 1. Recognize continuation of viable ship repair and drydock operations as an act of preserving Pier 70's history, and give priority to shipyard changes necessary to support the contemporary needs of the industry while maintaining the overall integrity of the historic district.*
- 2. Protect the integrity of the Pier 70 historic district by directing major new construction to open and vacant areas or locations containing non-contributing resources, informed by the historic amount of development that has occurred at Pier 70.*
- 3. Encourage adaptive reuse of the historic resources that add new life to Pier 70, consistent with Secretary of the Interior's Standards for the Treatment of Historic Properties ("Secretary Standards").*
- 4. Apply development design criteria for new infill development to ensure new construction meets Plan objectives and is sensitively designed, consistent with Secretary Standards.*
- 5. Prioritize the stabilization and rehabilitation of the site's most significant resources along 20th Street for public and private investment as early as possible.*
- 6. Promote an understanding of the site's history and significance through a program of coordinated interpretive exhibits as part of new development and historic rehabilitation improvements.*

The National Register is the official list of the Nation's historic places worthy of preservation. Authorized by the National Historic Preservation Act of 1966, the National Park Service's National Register of Historic Places is part of a national program to coordinate and support public and private efforts to identify, evaluate, and protect America's historic and archeological resources. To qualify for the National Register properties are subject to evaluation and must be determined significant under one or more of the following criteria:

A. associated with events that have made a significant contribution to the broad patterns of our history; or

B. associated with the lives of significant persons in or past; or

C. embody the distinctive characteristics of a type, period, or method of construction, or represent the work of a master, or possess high artistic values, or represent a significant and distinguishable entity whose components may lack individual distinction; or

D. have yielded or may be likely to yield, information important in history or prehistory.

In addition, to possessing significance under the above criteria historic properties must also convey their historic character which is measured through seven aspects or qualities: location, design, setting, materials, workmanship, feeling, and association.

The historic district nomination report also incorporates information from a number of prior historic resource analyses regarding the significance of the Pier 70 shipyard:

- 1989 Federal Emergency Management Agency (FEMA) in consultation with the California Office of Historic Preservation determined the Pier 70 shipyard eligible for listing on the NRHP as an historic district.
- In 1994 the San Francisco Landmarks Preservation Advisory Board initiated landmark designation of four of the prominent architect designed shipyard buildings along 20th Street but tabled the matter after consulting with the Port and realizing that these buildings warranted consideration for designation as an historic district.
- In 2001 the San Francisco Planning Department received a grant from the California Office of Historic Preservation to prepare a Central Waterfront Cultural Resources Survey. The survey identified Pier 70 as an historic district eligible for listing on the NRHP.

HISTORIC SIGNIFICANCE

The National Register nomination enables the public to understand and document the history and significance of the site. The historic district nomination provides a complete account of the history of the site including and can be accessed on the Port's website at: <http://sfport.com/Modules/ShowDocument.aspx?documentID=6608>.

Study of the site during preparation of the nomination revealed many important details to the Port about the history and national significance of the site as follows:

- The Union Iron Works (UIW) Historic District can trace its origins to California's first iron works, opened by Peter and James Donahue at Jackson and Montgomery Streets in San Francisco during the Gold Rush.
- In the early 1850s, the works moved to First and Mission Streets and in 1853 was renamed the Union Iron Works. The works constructed engines and boilers

for iron ships, locomotive equipment for California's first trains, and the majority of mining equipment used in the Comstock Silver Mines.

- UIW moved to Pier 70 in 1884 and was managed by Irving M. Scott starting in 1865, after Donahue retired, and was responsible for transforming UIW into one of the country's leading steel hull shipbuilding and repair companies.
- UIW tells the story of the American steel hull shipbuilding industry from the late nineteenth century through World War II. As California's pioneering iron works, UIW early history coincides with the shift from wood to iron shipbuilding. By opening the first steel shipyard on the West Coast in 1884, UIW established a national steel hull shipbuilding industry.
- The shipyard played an integral role in the United States government's efforts to increase naval resources and bolster the nation's image as an international military power.
- By World War I, the yard stood at the center of the shipbuilding industry on the West Coast. A crew of mostly skilled laborers produced dozens of warships and submarines that resulted in the United States' overwhelming success in World War I. The combination of a skilled labor force and the yard's ability to build or repair all ships afloat kept it open during the lean interwar years.
- UIW participated in the unprecedented military build-up occurring across the country. The World War II development there resulted in an increase in unskilled workers and mass production. At the same time, ship repair and naval contracts completed by the yard's skilled laborers made a significant contribution to the war, and by maintaining many of the older buildings, produced UIW's unique collection of industrial buildings from all periods of the United States' steel shipbuilding industry.
- The 1867 completion of the Long Bridge from South of Market over the waters of Mission Bay, and the extension of Third Street, improved access and eased transportation to this developing manufacturing center in the Potrero district.
- The Irish Hill and Dogpatch neighborhoods emerged as workers moved to the area. The Irish Hill neighborhood established in the 1870s consisted of two settlements of cottages, lodging houses, and saloons clinging to the hillside north of the Pacific Rolling Mills and around the intersection of 20th and Illinois Streets.¹
- Over the following decades the area supported other industrial uses including the Tubbs Cordage Company/San Francisco Cordage Manufactory, Pacific Rolling Mills, and City Gas Company Works. Pacific Rolling Mills, whose property would eventually be managed by UIW under Bethlehem Steel ownership, was the first manufacturer of steel on the West Coast, starting in the 1860s.

¹ San Francisco Planning Department, *Central Waterfront Cultural Resources Survey Summary Report and Draft Context Statement*, 16.

- In 1885, UIW launched the *Arago*, the first steel hull ship produced by UIW and launched on the West Coast, and one of the first steel hull ships built in the country.
- In 1885, after the yard's success with the *Arago*, Irving M. Scott and UIW secured naval contracts, initiating a relationship between the U.S. Navy and the yard that lasted through World War II. During the late nineteenth century, the shipyard completed some of the most famous warships of the Spanish-American War, including the *USS Oregon* and the *USS Olympia*.
- A new era in the history of UIW began with the turn of the new century. In 1902 the United States Shipbuilding Company (USSC) acquired UIW along with other yards and steel mills across the country. Two years later the USSC collapsed, allowing Charles Schwab to purchase the shipyard in 1905 on behalf of the Bethlehem Steel Corporation, the second largest steel manufacturer in the country.
- In the spring of 1908, Schwab personally oversaw upgrades to the yard's repair facilities, which allowed the yard to repair the Great White Fleet, the naval fleet that President Theodore Roosevelt famously ordered to sail around the world between 1907 and 1910 as a brazen display of the country's growing military power.
- By World War I, the shipyard served as the headquarters of a West Coast shipbuilding complex and UIW commissioned renowned San Francisco architects to design buildings along 20th Street, creating a grand entrance to the yard.
- The shipyard expanded and modernized during the 1910s, including infrastructure expansion. The destroyer plant run by the UIW used some of the new prefabrication methods of the period to produce three destroyers per month.
- The Navy prioritized submarine destroyers as the primary fleet defense against torpedo attacks from submarines and the 66 destroyers produced by the yard made a substantial contribution to the World War I naval effort.
- The yard survived the lean years after World War I on commercial ship construction and ship repair contracts.
- United States Maritime Commission contracts, starting in 1936, resulted in a new wave of modernization at the yard. Upgrades and a yard-wide transformation from riveting to welding, helped the yard adapt to standardized mass production that typified World War II ship production.
- During the World War II, the yard was primarily under naval management. The New Yard shipbuilding facility (Building 12 Complex) built by the Navy stands on

the former destroyer plant. The yard also significantly contributed to World War II in the repair of 2,500 ships.

- Labor played an integral role throughout the history of UIW. From the earliest days as one of the first steel hull shipbuilders, the yard employed highly skilled laborers. While most shipyards closed during the interwar period, the skilled workers and the flexibility of the yard's facilities kept UIW open.
- Since World War II, the yard has not led innovations in shipbuilding technology or production. Instead the skilled labor force has enabled the district to become the longest continually operating ship repair facility in the nation.
- After World War II, the yard continued to build government and commercial ships into the 1970s. In the early 1980s, the Bethlehem Steel Company went bankrupt and the shipyard was purchased by the Port.

Based on this detailed 150 year history of ship fabrication and repair, the nomination concludes that Union Iron Works Historic District at Pier 70 is eligible for listing on the National Register under National Register Criterion A in the area of history for its role in the pioneering technological developments in the development of steel hull ships and production of vessels for multiple war efforts including the Spanish-American War, WWI and WWII. In addition, the nomination concludes that the site is locally significant under National Register Criterion C in the area of architecture as a physical record of trends in industrial architecture. For these reasons the district has a period of significance of 61 years beginning in 1884 with the relocation of UIW to Pier 70 and ending in 1945 with the close of WWII.

The historic district has been defined as the entire 66 acre site that represents the full build-out and ownership of the site by UIW and Bethlehem Steel and is characterized by the following features:

- Waterfront location
- Numerous contributing resources dating from 1884 to 1945
- Minimal planted vegetation
- Open areas that are paved or covered with gravel
- Streets without curbs or gutters, except for 20th Street which has granite curbs
- Dense urban industrial character
- Buildings with a variety of scales from 60,000 to 100,000 square-feet and heights from one to six stories, as well as a wide range of architectural treatments and materials
- Unique groupings of buildings including the unreinforced monumental masonry Buildings 113 and 114, as well as the steel frame and corrugated metal WWII Building 12 complex
- Wharves, piers, slips, cranes and floating drydocks
- On-going ship repair activity

The nomination was prepared in accordance with National Park Service registration requirements and identified 44 contributing and 10 non-contributing resources. Contributing resources must have been constructed within the period of significance and retain sufficient characteristics so that they reflect that period of time. Non-contributing resources are those that lack historic integrity because they were constructed after the period of significance or if constructed during the period of significance, have been altered or severely deteriorated so that they are no longer recognizable as being from the historic period. Based on this evaluation it was determined that overall the Pier 70 UIW historic district and the contributing resources maintain a high level of integrity.

The majority of non-contributing resources include segments of a former rail network and waterside features: wharves, piers and slipways that were rebuilt after the period of significance, have been altered through removal of features, were filled in or have experienced severe deterioration. The proposed district also includes 10 non-contributing resources.

To date the historic district nomination process has involved consultation, review and/or approvals by:

- City agencies including the Office of Economic and Workforce Development and the Planning Department
- Consultation with BAE San Francisco Ship Repair, and Pier 70 development partners Orton Development Inc. and Forest City California, LLC.
- Central Waterfront Advisory Group (includes a representative of San Francisco Architectural Heritage)
- San Francisco Historic Preservation Commission reviewed the nomination on February 5, 2014 and provided a comment letter to the State Historical Resources Commission

The State Office of Historic Preservation provided technical review throughout the drafting of the nomination. On February 7, 2014, the State Historical Resource Commission (SHRC) held a hearing and took action to recommend approval of the nomination by the National Park Service (NPS) and listing of the district on the National Register. The SHRC will forward the nomination report and recommendation to the NPS in March 2014. Completion of NPS evaluation and listing in the National Register is anticipated May 1, 2014.

HISTORIC DISTRICT AND PLAN IMPLEMENTATION

As discussed above, the import of creating the Union Iron Works Historic District at Pier 70 to support rehabilitation of Pier 70's unique and important historic resources has been a fundamental goal around which the Port has been able to build community consensus for the land use changes and development necessary to finance historic rehabilitation, public open space, infrastructure and other amenities.

In addition, the creation of the historic district is also intended to assist the Port's development partners, Orton Development, Inc. and Forest City California, LLC, by availing access to the Federal Rehabilitation Tax Credit Program to provide an important financing tool for rehabilitation of Pier 70 historic buildings, included in both projects. This builds on the Port's successes in the northern waterfront with the creation of the Embarcadero Historic District and rehabilitation of a number of historic pier facilities, including the Ferry Building, Pier 1, Piers 1-½, 3 & 5 and the Exploratorium at Pier 15, in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

The historic district information gained through the Master Plan also provides important guidance to support continued operations at BAE Ship Repair and the planning of Crane Cove Park. In general, the National Register Nomination has influenced each of these projects in the following ways:

- Orton Development has committed to rehabilitate the 20th Street Historic Buildings consistent with Secretary Standards and adaptively reuse the buildings for office and light industrial uses. Additionally, Orton Development will provide some access into and around these buildings for the public to experience the historic district. On October 9, 2013 the Port Commission received a briefing on this project (the staff report is posted on the Port's website at <http://www.sfport.com/modules/showdocument.aspx?documentid=6839>) and in April 2014 will be asked to consider approval of a lease for the project.
- Forest City has prepared a conceptual land use plan that rehabilitates the most important resources within the Waterfront site consistent with Secretary Standards. Their conceptual plan, like the Port's Master Plan would impact some contributing resources. Forest City is also committed to developing a plan that would maintain the historic integrity of the entire historic district although may have localized impacts. Additionally Forest City would also be responsible for the historic interpretation of contributing resources that fall within their development site so that the public can experience the district and its contributing resources.
- BAE Ship Repair's continued operation is a Historic Preservation goal of the Pier 70 Master Plan, however recognizing the need to continue to operate as a viable 21st century ship yard will impact some historic resources. These impacts were recognized in the Pier 70 Master Plan as necessary to maintain this important use and would not affect the integrity of the district.
- Crane Cove Park is a future 9 acre park along the northern shoreline of the district. The Park Master Plan calls out for the retention and adaptive reuse of all but one historic resource in this project area and therefore would be consistent with Secretary Standards. The proposed park would celebrate the last intact shipbuilding slipway, Slipway 4, including its cranes, ramps, utility racks and runways. The design of Crane Cove Park would also include site and area wide historic interpretation and is designed to help the public understand the historic shipyard functions.

As additional portions of Pier 70 move forward with development or adaptive reuse, they too will utilize the benefits of the National Register Historic District status.

NEXT STEPS

The Port will continue its work as the steward of the historic district to celebrate and appropriately manage this collection of historic resources in partnership with BAE Ship Repair, other Pier 70 tenants and its development partners to realize the goals of the Pier 70 Master Plan. This work will include the rehabilitation of numerous contributing resources and address the site's multiple complex needs. As envisioned now, development and change at Pier 70 will happen in phases and the creation of the historic district represents a milestone in the Port's planning work to shape the future of the site. The 20th Street Historic Buildings rehabilitation by Orton Development will be the first project to rely on the listing of the historic district on the National Register to access Federal Rehabilitation Tax Credits, and will be discussed in detail at a future Port Commission meeting.

Prepared by: Mark Paez, Historic Preservation Planner
David Beaupre, Senior Waterfront Planner

Through: Diane Oshima, Assistant Deputy Director Waterfront Planning

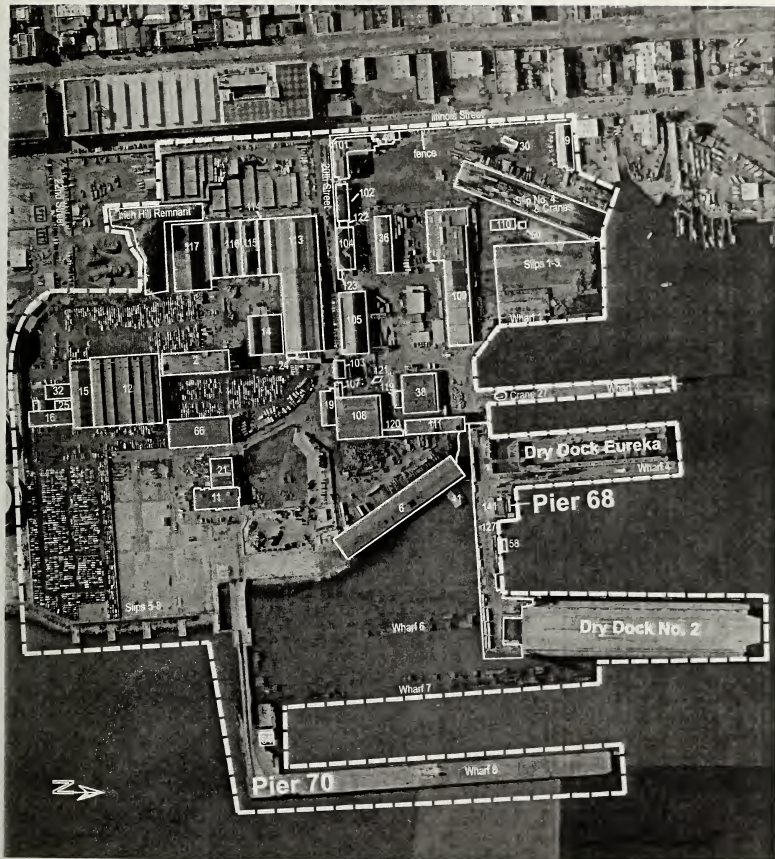
For: Byron Rhett, Deputy Director Planning & Development



Attachments: 1. Pier 70 Location Map
2. Pier 70 Union Iron Works Historic District

Attachment 1
Pier 70 Location Map



Attachment 2
Union Iron Works Historic District
Contributing Resources



 District Boundary
 Contributing Resources



MEMORANDUM

March 6, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *MM*

SUBJECT: Request approval of a Memorandum of Understanding between the Port and the San Francisco Mayor's Office of Housing and Community Development regarding development of affordable housing on Seawall Lot 322-1 (located at Broadway and Front Streets) (Resolution No. 14-16)

Director's Recommendation: Approved Attached Resolution

EXECUTIVE SUMMARY

The Port and the San Francisco Mayor's Office of Housing and Community Development ("Housing Office") propose jointly to pursue the feasibility of improving Seawall Lot 322- 1 ("Site") with an affordable housing development. State Assembly Bill 2649 permits lifting public trust use restrictions from the Site to allow development of affordable housing. San Francisco Board of Supervisors' Ordinance No. 232-12 authorizes the Port to lease the Site and receive Jobs-Housing Linkage Program credits (Jobs/Housing Credits) for its fair market value. On October 22, 2013, Port staff apprised the Port Commission of our work with the Housing Office on the terms and conditions of a Memorandum of Understanding ("MOU") under which the Port will allow the Housing Office to solicit a non-profit development partner to enter into a lease with the Port toward building the proposed affordable housing. The Port Commission reviewed the proposed affordable housing concept and MOU terms at its October 22, 2013 meeting. At the Port Commission's direction, Port and Housing Office staffs have conducted additional outreach and received feedback from community representatives and stakeholders leading to refinement of the proposed terms and conditions for the MOU.

THIS PRINT COVERS CALENDAR ITEM NO. 11C

The MOU key terms/conditions remains as presented to the Port Commission in October 2013. They include: (i) a three-year term with a one-year extension; (ii) Port's receipt of Jobs/Housing credits for the Site's fair market value; (iii) delegation of developer-solicitation to the Housing Office; and (iv) the Housing Office funding of all project costs except the public parking garage cost if required, appraisal and certain attorney costs. A proposed new term is the provision that the Port will look for a strategy that addresses affordable housing use at the Site in response to the Housing Office's mandate to maintain permanent affordable housing stock.

The remainder of this staff report provides more details on the proposed concept, Site information and analysis, and MOU recommended terms and conditions. Port staff recommends the MOU approval.

BACKGROUND

The Port of San Francisco owns and manages 7½ miles of bayfront lands in trust for the State of California. Use of these Trust lands excludes the development of housing. Nevertheless, in connection with the Rincon Point South Beach redevelopment project area that included Port property master leased to the former San Francisco Redevelopment Agency, the California Legislature lifted the public trust from two Port sites in the South Beach neighborhood for affordable housing. (Stats. 1987, ch. 310). This legislation permitted the development of the Delancey Street Foundation's mixed-use development on Seawall Lot 332 with 177 affordable residential units and Bridge Housing's Steamboat Point mixed-use development on Seawall Lot 333 with 106 affordable residential units and provided financing for the development of the Port's South Beach marina.

The Port faces many challenges in developing its properties, including Pier 70 to their highest and best use. These challenges include expensive piles to support buildings on tidelands, high historic building rehabilitation costs, high building costs in an historic district, environmental remediation cost, complex regulatory compliance cost including development impact fees, and shoreline park/open space (public access) cost. In November 2011, staff informed the Port Commission about staff's effort to pursue strategies to address these challenges facing Pier 70. One proposed strategy involves leasing Port inland sites in the Northeastern Waterfront, no longer needed for trust purposes, for affordable housing use to offset the high costs of redeveloping Pier 70.

During the November 2011 meeting, staff also discussed options for meeting the City's affordable housing requirements, particularly for the anticipated commercial developments in Pier 70 that trigger significant obligations under the Jobs-Housing Linkage Program (Planning Code §§ 413-413.11. The program imposes exactions to offset the new demand for affordable housing generated by certain types of new commercial development. With between 2,200,000 to 3,000,000 square feet of commercial development proposed at Pier 70, Job/Housing obligations for the Port's development partners are projected to be several millions of dollars.

Senate Bill 815 (2007, Migden) ("SB 815") authorizes, among other things, the Port to lease designated seawall lots in the central waterfront (most notably Seawall Lot 337

and Seawall Lot 330) for non-trust purposes, including housing, for up to 75 years at fair market value to generate revenues to preserve and rehabilitate the Port's historic structures, construction and maintenance of waterfront plazas and open space required by the San Francisco Waterfront Special Area Plan of the Bay Conservation and Development Commission, and other trust consistent uses. In 2011, after consulting with the Port Commission and neighborhood stakeholders, Port staff pursued legislation which led to the adoption of Assembly Bill 2649 (2012, Ammiano) ("AB 2649"), which added the Site to designated seawall lots that may be leased for nontrust uses under SB 815. Under AB 2649, the Port is authorized to provide a rent credit or the waiver or deferral of rent in connection with a nontrust lease of Seawall Lot 322-1 at an effective rent that is below fair market value if the California State Lands Commission finds that: (1) the nontrust lease is for affordable housing, and, if the affordable housing is within a mixed-use project, no part of the rent credit, waiver, or deferral is applied to the rent for the other uses; and (2) the Port is entitled to apply the value of the rent credit, waiver, or deferral that it provides for the nontrust lease of the seawall Lot 322-1 as an offset against fees or other exactions or obligations that would otherwise be levied or imposed on development projects at Pier 70.

The Board of Supervisors ("Board") adopted Ordinance No. 232-12 adding section 61.12 to the Administrative Code. Section 61.12 implements AB2649 by authorizing the Port to enter into below-market leases with the Housing Office for affordable housing development on seawall lots that are not subject to trust land use restrictions. The Port and the Housing Office are authorized to enter into an MOU providing for the Port to receive Jobs/Housing credits equal to the difference between the below-market and the fair market rental value of the leased land.

These two pieces of legislation create the authority to develop affordable housing on Seawall Lot 322-1 through the Housing Office and for the Port to receive the Site's fair market rental value through the combination of rent payments and Jobs/Housing credits. The Port can use these Jobs/Housing credits to offset Jobs-Housing Linkage Program fees that would be charged against commercial developments in Pier 70. The specific project(s) and budget line-items benefiting from this offset will be determined through negotiations with Port's private development partners at the appropriate time. This mechanism allows the development of a long vacant parking lot at Seawall Lot 322-1 into a new structure that will help address one of the City's pressing needs - affordable housing.

The Port Commission reviewed the proposed affordable housing concept and the MOU during its October 22, 2013 meeting through a staff informational presentation. Since that time, Port and Housing Office staffs have jointly presented this concept to, and received feedback from, the Northeastern Waterfront Advisory Group ("NEWAG"), and a joint meeting of the Barbary Coast Neighborhood Association (BCNA) and the Telegraph Hill Dwellers ("THD"). Additionally staff has met with representatives of BCNA, THD and the Southern Telegraph Hill Neighborhood Association ("SoTel").

SITE INFORMATION AND ANALYSIS

The Site is bounded by Broadway, Front and Vallejo Streets and buildings to the east as shown in the attached Exhibit "A." The Site is a paved, flat, rectangular land parcel, approximately 37,810 square feet in area; and it is currently being used as surface parking under lease to Priority Parking. The site is approximately 500 feet from the shoreline and under current estimates of sea level rise would not be affected in 2050 and only small portions of the site are identified as inundated under current estimates of 2100 sea levels. Anticipated impacts of climate change will be addressed during site and building design phases.

Current zoning for the Site is C-2 (Community Business), which allows residential as a permitted use. Ground floor retail and podium or underground parking may be appropriate companion uses subject to being found feasible during the entitlement process. The Site is in the City's Northeast Waterfront Historic District and a 65-foot height limit is set for the Site. Given the Site's development potential, and its location upland, away from the water, it appears to offer the greatest affordable housing development opportunity among the Port's seawall lots in the northeastern waterfront. Staff will request the City's Director of Real Estate to procure updated appraisal to determine the Site's fair market value – a factor in the overall project financial feasibility.

Currently the Site generates about \$585,600 annually or \$48,800 per month in rental revenue to the Port. Because of the revenue significance to the Port's Harbor Fund, Port staff explored how this development can continue to generate a revenue stream. One way, is to include public parking in the project. The Port will have to pay for the creation of any on-site parking facility as no City's housing funds may be used for parking. The inclusion of public parking in the project will accommodate nearby businesses that currently rely on the 151 self-park spaces (or 225 valet parking spaces) available at the Site.

Preliminarily, this affordable housing project is anticipated to include three uses at about the density indicated in the following Table:

	Number of Units or Square footage	Parking Spaces
Housing	170 to 200 for seniors or 80 to 115 for families	None required
Commercial space	2,000 to 5,000 sq. ft.	None required
Public Parking		100 to 120

PROPOSED MOU

Port and Housing Office staffs have been collaborating to implement the provisions of the above-noted legislations. The Housing Office will manage a solicitation process to secure an affordable housing developer and lead development negotiations with the selected developer. During the negotiation period, Port staff will work with the Housing Office and the developer to test the feasibility of including public parking in the project. The Housing Office and the selected developer are responsible for funding the project's predevelopment, construction, and operation phases, except for the public parking garage incremental construction cost if Port determines, at its sole discretion, that the garage is feasible. Ground floor retail is anticipated as a design solution to screen parking and activate the street. Feasibility of the retail space and how to fund it will be addressed during the design development phase. A summary of the proposed MOU key-terms are as follows:

1. Housing Office's Role and Responsibilities: The Housing Office will solicit and select the developer; address the project's overall financing needs, and its potential funding sources; cover developer solicitation cost; negotiate development transaction documents; and plan and manage project delivery, including the project timeline for attaining performance benchmarks. It will lead public outreach and will follow the Port's and City's public offering process that typically requires competitive bidding, ample public notice to make the public aware of the offering opportunity, local business participation requirements, public hearings, etc. Architectural design is subject to the review process applicable to the Site (review by City Planning Department, Waterfront Design Advisory Committee, Office of Historic Preservation, and State Lands Commission).
2. Port's Role and Responsibilities: The Port will assist the Housing Office in its negotiations with the developer regarding the garage and lease terms and in seeking stakeholders' support and State Lands Commission's approval.
3. MOU Term. A three-year term is proposed because entitlement and project approval usually take more than two years. The Port's or the Housing Office's Executive Directors would be authorized to extend for up to six months any of the benchmark dates set for developer's performance schedule and for up to 12 months the term's outside date. Any extension beyond these 12 months will be subject to Port Commission approval. Staff will provide the Port Commission with updates about the MOU and project progress about two to three times a year depending on milestones achieved.
4. Project Description: The proposed project will be a new affordable housing building with between 170 to 200 senior housing units or between 80 to 115 family housing units located above a mix of ground level uses, possibly a 2,000 to 5,000 square foot retail space and a public parking garage with approximately 100 stalls. The type and amount of public parking and retail space will be determined by the design and entitlement requirements of the project. Based on community feedback, underground parking will be explored to allow for better activation of the Site's street frontage. The

type of affordable housing units and the level of affordability are to be determined by the Housing Office and the developer with appropriate public input.

5. Basic Deal Structure:

a. The Site's fair market value: This will be determined by an appraisal completed and updated within 90 days before the execution of the lease. The amount of Jobs Housing Linkage Credits the Port will receive will be derived from the value allocated to the housing parcel based on development density less (i) agreed upon due diligence cost and (ii) the cost of review of required SLC's findings. Currently, the amount of land value allocated to the housing component is projected to be between \$7 to \$8 million.

b. Public parking garage cost: The selected developer, Housing Office, and the Port will collaborate to determine the incremental construction cost of including a public parking garage in the Project. If the garage is financially feasible, the Port will consider paying the garage cost either with the Site's sale proceeds or other funding sources. The Housing Office or developer will incorporate the cost of exploring public parking in their schematic design cost for the Project. At the schematic design phase, the Port will decide if it wants to fund a public parking facility. If the Port decides at a later date not to proceed with a public parking facility, the Port will be responsible for any additional design revision costs after the schematic design phase.

c. Developer solicitation process: To promote community participation and to ensure openness and transparency in the development process, the Port and Housing Office will consult with NEWAG and other neighborhood groups in the planning of the Project, including forming a working group to review and comment on the goals and objectives of the proposed request for proposals ("RFP"). The Housing Office RFP selection process will allow one voting-member from the working group to be part of the selection panel that will help review, evaluate, and rank proposals from respondents to the RFP. The Housing Office will make the final decision selecting a non-profit developer. It may choose to use an exclusive negotiation agreement ("ENA") or a predevelopment loan agreement to set the terms and conditions for its exclusive negotiations with the developer selected. No "term sheet" is required for Housing Office developments.

d. Lease: The Housing Office will require the selected developer to enter into a 75-year lease with the Port to build the project. The lease will include the delegation of the day-to-day lease management to the Housing Office to enable monitoring of compliance with applicable affordable housing regulatory requirements. Housing Office development projects are exempt from making findings of fiscal responsibility and feasibility.

e. Approval process and entitlements: The project is subject to a process of thorough public review and input and all necessary and appropriate approvals. These include environmental review under CEQA and required

discretionary approvals by applicable government bodies after public hearings and environmental review. Nothing in the MOU would commit the Port, the Housing Office, or the City, or any other public agency to approve or implement the project until its CEQA review is completed.

f. Financial terms: The Housing Office and the selected developer are responsible for funding the predevelopment, construction, and operation phases of the housing and retail elements of the Project; the Port will fund the incremental construction cost of the public parking garage if it determines, at its sole discretion, that the garage is feasible. Neither Housing Office nor the selected developer shall pay more than \$1 a year to Port for the lease in addition to Port's receipt of land sale proceeds.

g. Overall project feasibility: Housing Office and the selected developer are responsible for determining the overall project feasibility.

h. Compensation for improvements if affordability terminates: Port acknowledges that under current State law a lease of the Site for affordable housing would end in 2094 with no provision for nontrust uses including affordable housing after that date. During the term of this MOU, Port and Housing Office will negotiate in good faith to develop a strategy to extend the use of affordable housing past the lease expiration.

i. Other Required Transaction Documents: The Housing Office is responsible for negotiating and drafting the transaction documents required for the development including a separate MOU to track Jobs-Housing Credits. Port will review and provide comments on the drafts in a reasonable timely manner.

j. Port Commission and Board's approval of the Lease. Port staff will work with the Housing Office and the selected developer in seeking Port Commission and Board's approvals of the transaction documents, including the lease.

k. Miscellaneous Terms and Conditions: The MOU contains all other standard contract terms and conditions; i.e., insurance, indemnity, disclaimers, etc., to protect the Port from legal and financial liabilities.

COMMUNITY OUTREACH

In 2011, when pursuing State and Board legislation, Port staff presented to the Port Commission, NEWAG, and community groups the concept of developing affordable housing on the Site in collaboration with the Housing Office and a nonprofit development partner. After approval of the enabling legislation and consultation with the Housing Office staff, Port staff commenced public outreach. On August 28, 2013, Port and the Housing Office staff presented the proposed Project to NEWAG, which expressed support for the affordable housing. On October 22, 2013, staff made a presentation to the Port Commission about the proposal to improve the Site with affordable housing, and proposed additional community outreach.

On November 20, 2013, BCNA and THD hosted a joint meeting inviting Port and Housing Office staffs to present the proposed concept and answer questions. Staff also met with representatives of BCNA, THD and SoTel. These organizations sent a letter of support for this process raising issues to be addressed about the community involvement process and ultimate development plans on SWL 322-1. At a February 5, 2014 NEWAG meeting, Port and Housing Office staffs responded to the groups' comments outlined in the above noted letter to the Port and Housing Office. To respond to concerns raised about public involvement, Port and Housing Office staffs included in the MOU provisions for a community working group to assist with the developer solicitation process. The MOU will allow the working group to review and comment on the RFP's goals and objectives. Additionally, per the Housing Office's customary practice, one member from the working group will be invited to participate as a full voting member in the developer-selection panel that will help review, evaluate, and rank proposals from RFP respondents that will inform Housing Office's decision about which proposal to recommend for approval.

As part of a community review process common to all Housing Office developments, the MOU requires the non-profit developer and the Housing Office staff to convene a public meeting for neighbors to seek public input as the project evolves. The Housing Office considers BCNA, THD, and SoTel as neighbors to the Site.

NEXT STEPS

If the Port Commission approves the attached resolution, the Port and Housing Office will execute the MOU with the approval of the Housing Office Director. Thereafter, the Housing Office will proceed with community outreach to develop the RFP. Port staff will apprise the Port Commission of the developer selected. After a developer is selected, the Housing Office will present the Project's funding need to the City-Wide Affordable Housing Loan Committee ("Loan Committee") for its review and recommendation of a predevelopment loan for the selected developer. This recommendation will then be forwarded by the Housing Office Director to the Mayor for approval. The subsequent funding for land acquisition, construction and permanent loans are subject to the review and recommendation of the Loan Committee.

The MOU anticipates completion of a developer solicitation process within one year followed by a two-year feasibility testing period. This period will cover the design review, CEQA review, State Lands Commission, and other regulatory reviews with opportunities for stakeholders' input. Review by the Loan Committee will run parallel to these reviews. Port staff will provide updates at key milestones to the Port Commission during the feasibility testing and entitlement periods. Following project entitlements, staff will present the refined development proposal and the proposed ground lease to the Port Commission for its consideration and approval. Escrow closing and construction start would occur immediately thereafter, currently anticipated for 2016-17.

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached Resolution approving the Memorandum of Understanding with the Housing Office as described in this report. A copy of the draft MOU is available on the Port's website.

Prepared by: Ricky Tijani, Manager
Planning & Development

Through: Jonathan Stern, Assistant Deputy Director
Waterfront Development

For: Byron Rhett, Deputy Director
Planning and Development

Attachments: Exhibit "A" Site Map

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-16

- WHEREAS, Charter Section B3.581 empowers the Port Commission (the "Port") of the City and County of San Francisco (the "City") with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction subject to the common law public trust for commerce, navigation, and fisheries and the Burton Act trust; and
- WHEREAS, Senate Bill 815 (2007, Migden) ("SB 815") authorizes, among other things, the Port to lease certain designated seawall lots for non-trust purposes, for of up to 75 years at fair market value to generate revenues for preservation of the Port's historic structures, construction and maintenance of waterfront plazas and open space required by the San Francisco Waterfront Special Area Plan of the Bay Conservation and Development Commission, and other trust-consistent uses; and
- WHEREAS, Assembly Bill 2649 (2012, Ammiano) (AB "2649") adds Seawall Lot 322-1, an approximately 37,810 square foot land parcel bounded by Broadway, Front, and Vallejo Streets and buildings to the east, Assessor's Parcel No. 0140-007 (the "Site"), to SB 815 to the designated seawall lots that may be leased for nontrust uses under SB 815; and
- WHEREAS, AB 2649 authorizes the Port to provide a rent credit or other waiver or deferral of rent in connection with the nontrust lease of Seawall Lot 322-1 for an affordable housing development at an effective rent that is below fair market value if the State Lands Commission ("SLC") finds that: (1) the nontrust lease is for affordable housing and, if the affordable housing is within a mixed-use project, no part of the rent credit, waiver, or deferral is applied to the rent for the other uses; and (2) the Port is entitled to apply the value of the rent credit, waiver, or deferral that it provides for the nontrust lease of Seawall Lot 322-1 as an offset against fees or other exactions or obligations that would otherwise be levied or imposed on development projects at Pier 70; and
- WHEREAS, The San Francisco Mayor's Office of Housing and Community Development ("Housing Office") is responsible for the production and management of affordable housing citywide and the City's Housing Trust Fund under the Jobs-Housing Linkage Program ("JHLP"); and

- WHEREAS, Developers of large-scale entertainment, hotel, office, research and development, and retail developments in San Francisco are required to mitigate the demand for affordable housing created by their development projects by either contributing land or money to an affordable housing developer or paying an in-lieu fee to the Housing Trust Fund; and
- WHEREAS, The Housing Office periodically publishes the rates for calculating the in-lieu fee, and proposed projects at Pier 70 and other anticipated developments on Port land will be subject to significant JHLP fees; and
- WHEREAS, The Board of Supervisors (the "Board") adopted Ordinance No. 232-12 to implement AB 2649, which Ordinance authorizes the Port to enter into below-market leases with the Housing Office for the Port land from which trust use restrictions have been lifted for development of affordable housing; and
- WHEREAS, The above-noted Ordinance authorized the Port and the Housing Office to enter into a memorandum of understanding ("MOU") providing for the Port to receive JHLP credits that it may apply to JHLP obligations that would otherwise be payable for future development on Port land in amounts equal to the difference between the below-market rental value and the fair market rental value of the leased land; and
- WHEREAS, Two key benefits of the MOU are the Port's ability to offer Port land that would otherwise not be available for affordable housing to the Housing Office and the offset against JHLP fees that the Port may apply to offset the costs of development projects on Port property, including those on Pier 70; and
- WHEREAS, The Port and the Housing Office have negotiated the MOU, which includes terms and conditions informed by community and stakeholder's input on the approval process for the scope of development of an affordable housing project at Seawall Lot 322-1; now, therefore, be it
- RESOLVED, That the Port Commission approves the MOU between the Port and Housing Office as described in Port staff's report on this matter and authorizes the Executive Director or her designee to execute the MOU; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter into any additions or modifications, including granting time extensions as provided in the MOU that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or the Port, and are necessary or advisable to complete the transactions that the MOU contemplates or effectuates the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of the MOU, and any additions or modifications to it.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 11, 2014.

Secretary

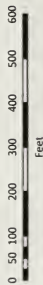
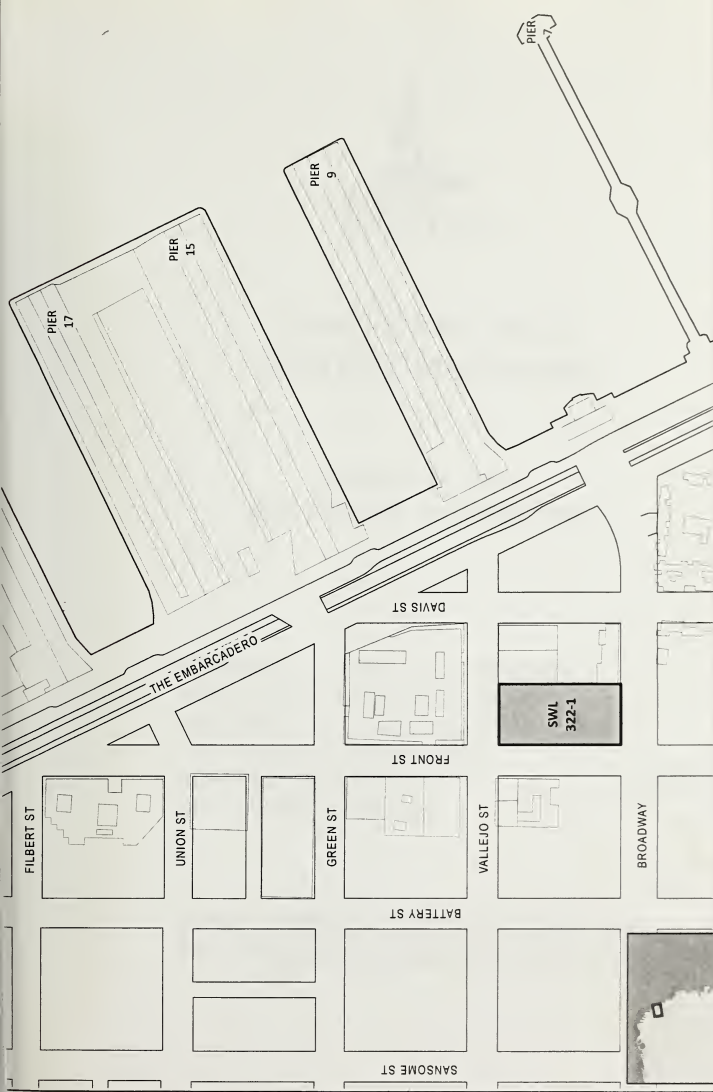


EXHIBIT A: SWL 322-1

SITE LOCATION
PORT OF SAN FRANCISCO



G:\02-NORTHEAST WATERFRONT PROJECTS\SWL 322-1\SWL-322-1.MXD

SAN
FRANCISCO



SAN FRANCISCO PORT COMMISSION

**MARCH 11, 2014
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

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MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MARCH 11, 2014

1. CALL TO ORDER / ROLL CALL

Port Commission President Leslie Katz called the meeting to order at 2:45 p.m. The following Commissioners were present: Leslie Katz, Kimberly Brandon, Mel Murphy and Doreen Woo Ho. Commissioner Willie Adams is attending the Breakbulk Conference in China.

2. APPROVAL OF MINUTES – February 25, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor; the minutes of the February 25, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

At 2:47 the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion and Action Item)

- a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(4) and San Francisco Administrative Code section 67.10(d)(2):

As Defendant X As Plaintiff

Discussion and approval of negotiated settlement agreement with The J. Mitchell Group, a California Corporation, doing business as The Mitchell Group Copy Service ("Tenant") that: (i) requires payment by Tenant of \$31,000 to Port in settlement of outstanding rent payments due; (ii) provides early surrender of the leasehold by Tenant no later than March 31, 2014; and (iii) includes other terms as set forth in the Settlement Agreement on file with the Port Commission Secretary.

5. RECONVENE IN OPEN SESSION

At 3:18 p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to disclose that in closed session, the Commission unanimously voted to approve the settlement agreement with the J. Mitchell Group as described in the agenda item 4A.(1)a., and not to disclose anything else discussed in closed session. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Port Commissioner Kimberly Brandon and Communications Manager Renee Martin, Honorees at the 2014 International Women's Day Celebration – March 10, 2014 at City Hall

Monique Moyer - As you probably know, the city has a division within its city Administrator's office called the Contract Monitoring Division (CMD), and they're the entity that implements Chapter 12B, which is the equal benefits ordinance, but also Chapter 14B, which is the local business enterprise chapter. This is a division that reports to the City Administrator, Naomi Kelly.

About a year ago, the contract monitoring division began an LBE development group with the support of the City Administrator and the

endorsement of Supervisors London Breed and Malia Cohen. Their vision was to partner with departments for an extensive training to enable LBEs to be more successful in the bidding process.

This past Monday, which was International Women's Day of 2014, the LBEs honored the various city departments for their contributions. Among those honorees was our very own Renee Martin, who is our public relationships officer. Renee was recognized for her outreach work in the local community, for her support and education and training in the business development program, and for encouraging LBE-certified firms to do more business with the port and connect more with the port. Renee was among a very prestigious group of city staff ranging from staff at the Airport, the Department of Public Works, the Department of Public Utilities, and numerous departments, all of whom had done something special throughout the year to help with the success of the LBE's. Renee was particularly lauded for her communication skills, and making sure that the information was reaching out as well as possible. I was very proud, and unbeknownst to Renee, she needed to make a little acceptance speech. If you get a chance to see it, the event was televised by SFGovTV, it was a rather long ceremony, so we'll circulate the time under which Renee spoke. Her comments were spectacular, as you would expect from a communications professional, but the important part is that she really gave a lot of credit to all of you as commissioners, and the leadership that you bring to this area of our business. We were very pleased by that. Thank you Renee and we're very proud of you.

Also recognized as the person of the year was our very own Commissioner Kimberly Brandon. She was recognized as the LBE Public Official of the Year for her work and commitment to the local small and micro-businesses, particularly her long-term work. Commissioner Brandon's tenure with the port has been characterized the whole time by trying to do better by small firms, formerly under the MBE/WBE program, and currently under the LBE program.

I was reminded while I was there and this had happened before my time, that Commissioner Brandon had instituted the 50 percent trucking rule, which was ahead of its time. The tenants that had trucking needs needed to use at least 50 percent from the 92124 area code. Among many other things, including the number of outreach that she has done, the desire to see and carefully monitor the LBE response that the port is doing on all of our contracts, which will be coming to you in our quarterly report next month.

I wanted to read a few of the things that were said about Commissioner Brandon. I couldn't type fast enough. It was really fun in that there was a different presenter for each awardee. When it came to Commissioner Brandon, the four people who were up on the stage with her all insisted on saying something before she ever even got a chance to get to the microphone. I thought that was the best praise you could ever get. No one

was going to go silent on talking about Commissioner Brandon. But Commissioner Brandon was characterized as one of our own, an outstanding, strong woman who has advocated against odds for community development as well as all opportunities. She works hard to make it better. She is dedicated to the LBE community and is our champion. Each of the four speakers said she has amazing energy and is the pulse of what is going on, not just at the port but everywhere. She is tireless. It was very high praise. I wish I could give you the full extent of it, but we will send you the link when it is loaded up, if it isn't already.

Commissioner Brandon also made remarks, and they were outstanding, and she was able to talk about the various accomplishments along the way, and her drive for the port to be one of the leaders in this area. She got to brag a little bit about our retail leasing opportunity, which will be coming to the Commission for approval at the next meeting, and our parking RFP, which we hope to have out on the street pretty soon. She too got a chance to brag a little bit about the constitution of our commission, since it was International Women's Day. She got exemplary applause, on the Port Commission's behalf. I'm sorry, Commissioner Murphy but you were acknowledged for being among such great women.

Commissioner Murphy - I love being in the company of great women.

Commissioner Brandon - it was a wonderful event, and I want to thank Director Moyer for attending. It was a long ceremony because a lot of people were recognized, but it was a great event but what I really want to recognize is Renee Dunn. Renee and I started here at the port a week apart, 16 years ago. She has done a phenomenal job. She, along with daily media requests, public record act requests, and trying to do her own job, she puts on all these events and just does such a fabulous job. She is the face of the port, but I don't think we recognize her enough and all that she does for the port. Renee, thank you.

Monique Moyer - Thank you, Commissioner, you're absolutely right, we need to recognize Renee more. Instead, I just keep asking for more parties. Today, one of, the head of our plumbing shop brought in some memorabilia that somebody had acquired in an estate sale that related to the port and had been passed on to him. One of the things that he brought to us today is a regular lapel pin that was issued for the opening of Pier 96 terminal. I told Renee that we need pins at all our openings now. I'm always pushing her harder, so thank you for pausing to say thank you to Renee.

- Blue & Gold Fleet - 2014 Roger Murphy National Marine Safety Award Winner

Our very own Blue and Gold Fleet has won a very prestigious award as well, the 2014 Roger Murphy National Marine Safety Award. This award was presented to them in Texas at the Passenger Vessel Association's

Conference. The award recognizes companies who demonstrate safety in the marine environment and embody the principles and techniques of safety training required in the passenger vessel industry, which is a very high standard. I don't want to jinx any of us, but thanks to their great stewardship, we've had no issues in my tenure, and certainly not, even in your tenure, Commissioner Brandon.

The Roger Murphy National Marine Safety Award was established in 2003. It's named after Roger Murphy because he was a longtime proponent of marine safety and training. He was also the founder of Blue and Gold Fleet. Blue and Gold Fleet is a port tenant at Pier 41. Among other things, they did cruises, ferry services, motor coach tours, sightseeing tours, and private cruises. Carolyn Horgan, the President of Blue & Gold Fleet made a presentation to the Port Commission about a year ago. They've been growing their business and they continue to grow their business. It was fun reading that Blue & Gold back in 1979 only had three vessels when they first came to the port. How many do you have now, 18 or 19 vessels now? We're extraordinarily proud of you every day, but particularly for being recognized for your safety. Thank you very much.

- Tourism and Hospitality Job Fair – March 22, 2014 from 1-4 p.m. at Telegraph Hill Neighborhood Center, 660 Lombard Street, San Francisco

I want to make sure that everybody is aware that on March 22, 2014, there is going to be a job fair for the tourism and hospitality sectors. This is very important to us, because it is where most of our businesses in Fisherman's Wharf get their seasonal workers. The job fair will be held on Saturday, March 22, 2014 from 1:00-4:00 PM at the Telegraph Hill Neighborhood Center located at 660 Lombard Street. If you know anyone looking for seasonal, part-time, or even permanent work, please send them to the job fair. For more information, you can contact the port or the Fisherman's Wharf website. It's a very important day for us. We get a lot of great hires through that.

- Recruitment for the Third Annual Class of Greenagers – Application Deadline March 28, 2014

Likewise, the San Francisco Parks Alliance, the San Francisco Rec & Parks Youth Stewardship Program, and the port are recruiting for the third annual class of Greenagers. The applications for Greenagers are due on March 28, 2014. This is a program which is open to 9th and 10th graders who live or go to school in District 10 and have an interest in community service and environmental issues. The Greenagers spend about eight months volunteering after school and on Saturdays at Heron's Head Park and other parks in southeast San Francisco. It's a really great program. I know many of you commissioners are familiar with it, but it is a really important part of the Rec & Park Department's programs, but also our own programs at Heron's Head. The applications are due on March 28, 2014. Then the applicants will

be interviewed beginning April 1st, and a decision will be made as to who the Greenagers are by April 25th. We look forward to having a great new class of Greenagers, our third annual.

- Cancellation of April 8, 2014 Port Commission meeting

We don't seem to have enough agenda items for our April 8, 2014 meeting. Typically around the spring break time, we struggle for agenda items. With your blessing, we propose to cancel our regular meeting on April 8th and have our regular meeting on April 22nd. We will be putting out a cancellation notice unless you really want to convene.

- Neil Friedman, Chief Harbor Engineer

It's my pleasure to briefly introduce our new chief building inspector. Our former chief building inspector retired, John Aires, and we have been lucky enough to steal away Neil Friedman from the Department of Building Inspection. Neil has had a tremendously long career with the city.

Neil joined the city in 1989, which is sort of auspicious timing for someone in the field of building inspection. He joined the Mayor's Office of Community Development during the Art Agnos administration. There he provided architectural work and construction management and grant coordination. He moved over to the Department of Building Inspection in 1996, and he began initially as a field inspector and a plan reviewer with a main focus on building accessibility, which is a very important element. At various times, he's managed the special inspections unit, the disabled access division, and DBI's first and fifth floor permit centers, and has also importantly been a representative to the Department of Emergency Management for the Department of Building Inspection.

He's worked on hundreds and hundreds of projects, but importantly to us, he worked on what was then called Pac Bell Park, now known as AT&T Ballpark, he worked on the Exploratorium project, Treasure Island and Hunter's Point Naval Base conversions, and the TJPA transit center, and most recently Market Square, which is the Twitter building. He has a vast expertise, and you'll be happy to know, he has his bachelor of arts in literature. So, a field inspector, head of inspection that can read and write, which is fabulous for us. Thank you Neil, for joining us, and we're very pleased to have you, and welcome aboard.

Commissioner Katz - Welcome aboard, we're thrilled to have you here.

- James Lange, Host of Dating Game and Local Radio Icon

As you may have noticed, we are proposing today to adjourn our meeting in memory of Mr. James Lange, who is best known for his time being the host of The Dating Game, but he was also a local radio icon. In fact, he was from

the Bay Area and would commute. He would do his radio show up here, and then he would commute down to Los Angeles to do The Dating Game show. In the time that he was here in San Francisco, which included a career with many different radio stations, he would spend some time at the port. He did four or five shows from Scoma's Restaurant at the waterfront. According to Tom Creedon, who's the owner of Scoma's, he would bring in a crowd that otherwise wouldn't come to Scoma's. They welcomed his star power and his willingness to experience Fisherman's Wharf and draw people in. It worked out so well that Mr. Lange's son, Nick Lange, is Scoma's bartender. Next time you're in there, you might want to reminisce with him about his father. With your permission, commissioners, we propose to adjourn today in honor of Mr. James Lange.

B. Commissioners' Report

Commissioner Woo Ho - I want to add in the commendation for Renee and for Commissioner Brandon. I haven't been on the commission for 16 years, but in the short time, it's been a delight to work with both of them, for different reasons. I'm delighted to hear that you did get the recognition, Renee, for all the work that you've done. For Commissioner Brandon, I've learned more about LBE than from anybody else in the city. It is a cause that I understand and that I subscribe to. Without you we wouldn't have made the effort that we do here at the port. It's very important for the city. I want to commend and thank you for leading that effort for so long.

Commissioner Brandon - Thank you.

Commissioner Murphy - I would like to congratulate Renee. She's always very approachable, very nice person. Thank you and congratulations. Of course, Commissioner Brandon, she kind of took me under her wing when I first came around here, and you're always very easy to talk to. Congratulations to you on a great achievement.

Commissioner Brandon - Thank you.

Commissioner Murphy - I want to welcome Neil Friedman over to the port. I worked with Neil over at a different department, and I always considered him a true professional.

Commissioner Katz - I'll echo the comments of my colleagues. We at the port are tremendously lucky to have both Renee and Kimberly here. I know other departments in the city look to the leadership that Renee and Kimberly have brought in this area, and to see what we're doing here. We're very blessed to have you both, and I want to thank you. It was nice that you're both recognized for the tremendous work you do, both on behalf of the port and on behalf of the community, and so many other ways as well. Thank you.

Commissioner Brandon - Thank you so much. I would like to again thank Renee for a wonderful event. I don't think we've met since we had the Pier 92 silo lighting ceremony, and Renee did a fabulous job. There was a great big tent, because it was raining and cold. She did a fabulous job putting that together real quickly for the ceremony. The ceremony was very well-attended by Supervisor Cohen and Supervisor Maxwell. I want to thank President Katz for sitting on the selection committee and saying great words that evening before the lighting. Executive Director Moyer and the Arts Commission executive director were also there with a lot of the staff. Byron did a wonderful job of emceeding the event, and he held on until it got dark, before we pulled the switch.

I want to say a very special thank you to David Beaupre, who had the vision, found the funding, and made it happen. Thank you so much, it was a great ceremony and the lighting was fabulous.

Commissioner Katz - I don't know about the rest of you, but I take every chance I can to go driving by at night to see it, because it is spectacular. I encourage all of you to go look at it. I echo the comments. The piece is called Bayview Rise. It was related to comments that Ms. Webb had made, who joined us that evening as well. She's now 95 years old, and she said the Bayview is like a balloon that's lost its air, just waiting for the air to come fill it up. That was the theme of the piece, and it was wonderful to have her speak there as well, and be acknowledged. It was a wonderful evening. I echo Commissioner Brandon's comments. Thank you all of you for the incredible role you played in making it happen.

10. CONSENT

- A. Request authorization to advertise for competitive bids for Construction Contract No. 2765, Pier 35 Building and Roof Repair Project (Resolution No. 14-14)
- B. Request approval of Executive Director's nominations of Patrick Buscovich, Hilary Hubbard, Paul Switenki, Edward X. Qi and John J. Sims for appointment to the five member Port Building Code Review Board. (Resolution No. 14-15)

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution Nos. 14-14 and 15 were adopted.

11. PLANNING AND DEVELOPMENT

- A. Informational presentation on the Port-BCDC Planning Study associated with the approval of the James R. Herman Cruise Terminal and Northeast Wharf Plaza Projects.

Diane Oshima with the Port's Planning and Development division - I am here to give you a brief overview and status report of a joint process that BCDC and the port are staffing together to address some of our outstanding public access

requirements for the Pier 27 James R. Herman Cruise Terminal project, but more broadly, a broader planning refresher course, essentially, looking at the waterfront with the stakeholder group. After the introduction, I will give you a summary of the comments that we've gotten to date and where we're going to be in the next few months.

As you well know, BCDC and the Port work together very closely on not just waterfront projects, but are aligning our plan policies as well. BCDC's policies for San Francisco are in the San Francisco Waterfront Special Area Plan. We often refer to it as the Special Area Plan (SAP). If we look at all of the various developments that have taken place over the last 12 years, the means by which we were able to accomplish those is because the port developed its own Waterfront Land Use Plan and then worked with BCDC to get amendments to their plans that allowed for the diversity of uses that take place now along the waterfront. Previously, BCDC had much more restrictive use restrictions, but they in 2000 made amendments to their plan aligned with the Port's Waterfront Plan to allow for the broad range of uses promoted in the Waterfront Plan in exchange for a package of public benefits that the Port Commission committed itself to.

For your general information, those restrictive land use rules that BCDC had before were known as the 50 percent rule, where if you had a pier that needed seismic upgrade or substantial repairs, and a port tenant wanted to go ahead and make those repairs, you would have had to limit those new uses to water-oriented recreation, commercial uses like restaurants or hotels or retail, and limit it to just 50 percent of that pier area. The other 50 percent would've either had to have been cut off and removed to remove bay fill, or turned into public access.

In short, we found over the years, both BCDC and the Port that was not a workable rule, so we made changes to those rules for the area between Pier 35 and China Basin Channel. We initially tried to look at it from Fisherman's Wharf all the way down to China Basin Channel, but we were only able to get a package of public benefits that allowed us to eliminate the rule from Pier 35 to China Basin. In exchange for that, we identified specific locations for major waterfront parks and fill removal.

Those two parks are what we enjoy today, Brannan Street Wharf, and now with the completion of phase two of the cruise terminal project, it will be Northeast Wharf Plaza as well. There are a number of piers that have been removed in order to create those open spaces, as well as to remove dilapidated fill -- Pier 24, Pier 34, Pier 36. The east end of Pier 23 also was tagged for being removed. There were a number of public access policies that were incorporated into BCDC's plans to address some other requirements that the port would institute as part of new improvement projects.

For Pier 27, when we came to propose the cruise terminal and the northeast wharf plaza, there was provisions in the plan that did not contemplate having a maritime use there like a cruise terminal that would require closure of the Pier 27 apron. That had been contemplated as a major public access corridor. Because

we had to accommodate the cruise terminal, there were amendments to BCDC's Special Area Plan that were required as part of that. However, due to the speed at which we also had to move the cruise terminal to accommodate the America's Cup project, we were not able to satisfy and identify solutions to all of the public access issues that were called out as conditions of approval for the project. What BCDC did is they approved the cruise terminal project and America's Cup, but then they required the port and BCDC to work together after that on a planning process to identify solutions for the outstanding public access improvements.

One of the things that the port proposed at the time that the cruise terminal project was moved forward was that we did not want to eliminate the eastern half of the Pier 23 shed, which had been a requirement in BCDC's plan. There were other public bay views and public access details in their Special Area Plan policies that the cruise terminal project did not fully meet. That group of issues was going to be the focus of the public planning process that BCDC required us to follow as a condition of the Pier 27 project.

Just to give you an overview, this is from the BCDC Special Area Plan. The lighter blue shaded areas are previous policies in BCDC's plan for what they call the open water basin. Essentially these open water basins are places the port commits to protecting open waters and bay views in those locations where we wouldn't be doing new fill projects. In that regard, we would respond to BCDC's fill policies.

The darker blue areas are future study areas for where we might be also designating those as open water basins. One of the conditions in this planning process that we're working on with BCDC now is to identify a new open water basin for the San Francisco waterfront.

The red piers that you see there are the piers that were designated for removal. Most of them have in fact been removed.

Port and BCDC had a choice as to how to go about doing this planning process, and we have been working very closely with the staff, particularly Lindy Lowe with BCDC's planning staff. At the staff level, we felt it was a good time to refresh and go out to a stakeholder focus group to look at the waterfront, not only to see what kinds of suggestions and ideas we might learn from them about solving our conditions for Pier 27, but also to get a fresh look at how people experience the waterfront now, and to identify where there are other public benefit opportunities that the port and BCDC should know about in looking at, taking a forward look at the waterfront.

We convened a working group, a very diverse set of stakeholder interests, from maritime business, environmental, recreational. There is a roster of the working group members in the handout that was provided to you by Jacquie Vance. I would like to acknowledge Jacqueline because this process would not be here without all the work she has provided to support this effort. As you can see in the

roster, we have a diverse collaboration across many different expertise and interest areas that normally don't come together and have a conversation with each other. We are looking at how public access can work with maritime interests, environmental interests, business needs, tourist and visitor opportunities, as well as economic development opportunities. I want to thank President Katz for coming to a number of our meetings and helping to foster that dialogue, along with Vice Chair Anne Halsted from the BCDC commission.

The ideas that we have posed in a series of meetings with them and walking tours on the waterfront are places where you can get to or desire extraordinary views of the bay, to give us feedback on the question about fill removal, to address BCDC's mission, should we be removing historic piers where they're degrading, or should we try and protect them and look for a non-historic fill that we can remove in exchange for that? Where are there desirable public access places now, and how well do they work? Are they connected? Do people know where to find them?

Within Fisherman's Wharf, we expanded the study to ask them to take a look at Fisherman's Wharf, because Fisherman's Wharf is still under the 50 percent rule restrictions. That is a real impediment for our restaurant businesses in particular, such as Scoma's. We want to try and find a solution for Fisherman's Wharf like we found for the rest of the northern waterfront, so that they can maintain and do seismic and major retrofits to their substructures and not be subject to having to tear their restaurants back by half.

We spent a lot of time at Pier 27 itself, going out to the site, experiencing what the cruise terminal and plaza will provide, and going out to the tip of Pier 27. That inspired a lot of interesting and outside-the-box thinking and comments.

In the categories that we structured the meeting discussions, I wanted to give you just a quick summary of what the feedback is that we received so far. With respect to looking at the waterfront overall, primarily for the northern half of the waterfront, wayfinding and connections between existing and new public access and open space opportunities are called out as an important attribute that should be advanced further. There are a lot of public access areas that people don't even know about. We spent money, people spent time putting it there, and the public doesn't appreciate it yet because they may not know it's there. There are many wayfinding and signage and interpretive exhibits that people would love to see on the waterfront. They want to know more about the port's maritime history and what happened along the waterfront. Those are features that were encouraged to be incorporated as much as possible.

They were looking for more amenities, water fountains, public bathrooms. We got a lot of feedback on pedestrian bicycle flow and the difficulties we often experience along the Embarcadero, and encouragement to find ways to try and make that experience better. In particular, that problem exists along the Embarcadero, and we really talked about also the business needs of the waterfront, where the piers and the front door to these businesses still needs to

be able to accommodate access. There are a lot of discussions about how is it that we can improve pedestrian and bicycle access, but not at the expense of our businesses? How can we also make better use of the west side of the Embarcadero along the city side, where it's not as well used, and then everybody's on the east side and we can try and homogenize that a bit more. A lot of support for that, including safer pedestrian crossings and enforcement of traffic rules to make it a safer experience for bikes and pedestrians.

The marginal wharves got a lot of attention, because people recognized as we've experimented between Pier 9 and 15 that there are public access opportunities in these marginal wharf areas that provide elbow room to step off the flow of the Embarcadero promenade, and to be able to take a rest and enjoy the bay and create different kinds of activities that make the waterfront more engaging. In that, there's going to also be a continued effort to eventually phase out parking where we can, as transportation alternatives are provided for, and to beautify the waterfront. These were especially called out for special events like America's Cup called for. There is going to be continued focus on that.

With respect to parking and transportation, in general it sort of overlaps with the experiences along the Embarcadero, where there's a recognition by some that, in particular from the business interests, there are delivery, there are parking, there are access needs for our businesses that are in the piers, and yet how do you manage that along with safe flow and fun activity along the promenade? In general, the port has been phasing out parking in a significant way over the last 10 and 12 years, and that effort is going to have to continue. We're going to be hopefully finding ways to make safer bike access along the Embarcadero, because a lot of the conflicts on the promenade are from those combined flows in a way that doesn't preclude our needs for supporting our businesses as well.

We switched over and took a lot of time to look at the Ferry Building area. In general, the working group found that the plaza area behind the ferry building is a really central part of the waterfront, and yet it is so unimproved and uninviting, and is a place that should be prioritized for improvement. There's a lot of public space there, but it's not well-connected. There's a lot of mixing of cars and people, particularly when we have the farmer's market in play. We have a lot of very important business needs on the maritime and commercial side. There's really a great deal of interest to start diving in a little bit deeper to figure out how can we support those businesses, but look at changes that make that public space more successful and inviting in the heart of the waterfront.

With respect to the ferry plaza area itself, most of these points relate to the statement I just made, but we do have BART, which is undergoing some major security improvements. Golden Gate Ferry is looking to improve their floats for their ferry operation. We're working with the Ferry Plaza Restaurant Group that's also trying to look at improving their facilities, and we have a day-to-day operation with EOP. I want to acknowledge and thank Jane Connors for being here as it relates to the farmer's market, and making sure that we meet the needs of the Ferry Building as well and that's in addition to WETA coming in

trying to grow ferries in the area. We're working with all of those business interests, as well as the working group, and in fact most of those entities are represented on the working group.

Pier 23-31 - This is in the heart of the historic district. It's got the most intact collection of our historic piers and bulkheads, and in general the working group recognized the importance of the Embarcadero Historic District overall. Yet, there's a need to try and penetrate wherever we can, to get people from the Embarcadero to the water side. In particular, when you get out to the end of Pier 27 and get to the tip and look back to the city and look back to the water ends of Piers 29 and 31, people saw that if we could be creative about creating a really important public access experience at the end of Pier 27 tip, that connected with public access around the edges of these piers, that there really was an opportunity to still provide for an open water basin experience with interconnected public access improvements, that it gives us some insights on development and leasing, planning for those facilities as we move forward.

We also have been looking at water recreation access for kayaks and human-powered craft, and that's also part of the mix to look for locations where that could happen. At the end of Pier 27, we decided that was not, because of the tides, was not a good place to go.

I've already touched on the main points about, the point of the importance of the Pier 27-29 tip. The one thing there that people recognized, however, is that it is way out there, and to try and get people from the Embarcadero all the way through a very large pier out to that point, as extraordinary as it is, is going to take some extra doing. There's recognition that special events, activities that give some interest to that particular location, are part of the mix of what should be considered, and that pilots and experiments to see what activates and invites people is a good thing to do. When we have the cruise terminal up and running, it'll be interesting to see how much draw that has with the public, just to be able to watch the cruise ships loading, which they'll be able to do. We're looking at experimenting where we can there.

With respect to Fisherman's Wharf, we did walking tours in Fisherman's Wharf. Most people are familiar with the Pier 39 up to Taylor Street area, and there has been a lot of focus about the triangle parking lot and the Pier 43 promenade that we've spent a lot of time and energy putting in, and looking to see how we can create more of a plaza at the east end there, where the Pier 43 arch is, and where the Jefferson Street improvements ultimately will reach out there, join up to the Pier 43 arch, and that pointy part of the triangle offered a good location for a possible public benefit package there to lift the 50 percent rule. There is also the whole Fish Alley area west of Taylor Street, between Taylor and Hyde Street, where the little wharves that are reflective of Fisherman Wharf's history, that even the locals, many of the locals didn't even know it was there. They assigned a high level of value, so there's some public access benefits that could be planned for Fisherman's Wharf that would help to justify the lifting of the 50 percent rule.

Maritime and public access, there are places where security or other operational requirements for some of our maritime berthing needs do not coincide with the ability to invite the public to access some of these pier edges. Historically, in the past we've had some struggles with BCDC to sort that out. We do anticipate having policies to provide better clarity about the conditions under which our maritime industries still need to be able to operate in the northern waterfront particularly, and where they might trump the need for public access because of the operational requirements of those uses.

Water-oriented recreation is a growing public access to the water physically, activity that is relatively new. Most people have been looking at places to walk along the waterfront. We are looking to develop a plan that identifies where launch sites are, where upland support facilities should be located to support those kinds of uses as well as part of this package of public benefits for the northern waterfront.

On the historic district, the Embarcadero Historic District is highly valued. It's a precious resource, and in general there is a desire from the working group perspectives that we polled to save as many of those historic sheds as possible. That said, we do recognize that we have some facilities that they may be too far gone, and so BCDC is really looking to the port to give direction as to what its plans would be for handling those historic resources.

In terms of next steps, we had meetings with this working group for the better part of 2013, and the comments and recommendations that came to them are in the report that's been distributed to you in more detail. Within that, they volunteered time to stay on working with the BCDC and the port staff to try and hone and distill more specific ideas about how Fisherman's Wharf, the Ferry Building areas could be improved to deliver public benefits, as well as take a closer look at how we might be able to improve the interconnected and wayfinding experience of public access along San Francisco's waterfront. We're very grateful to the subcommittee for volunteering all the time that it has, and the time moving forward. We're meeting with them now and into next month in support of a public workshop that we anticipate having in June, where we would propose these different public benefit concepts for the general public to be able to weigh in on before we come back to this commission and the BCDC commission with staff recommendations as to how to move forward.

There will be implementation requirements associated with whatever the recommendations are. Staff would take the lead at trying to understand what are cost-phasing implementation details that could be considered in order to be able to support a set of recommendations for new improvements. We expect that would be happening towards the end of the summer into the fall. Because the scope of the discussions have been so collaborative and intelligent and very creative, the group has amassed a great deal of understanding about the waterfront. While that process was happening, we also have been supporting the Piers 30-32 citizen's advisory committee planning process, where as part of the Golden State Warriors project, there is a need to consider possible offsite

public benefits for BCDC's consideration as part of their review of the Golden State Warriors project. Whereas we could've just sat with the Piers 30-32 CAC to talk about what those public benefits are that should be considered, we realized this process offered a much broader platform to be able to support those discussions, and so the working group members on the BCDC/Port process that we've been doing have been gracious enough to be willing to meet, take on a couple more meetings to meet with members of the Piers 30-32 CAC, so we can also talk about whether some of the public benefits that have been identified so far, or new ideas, could be considered as a valuable feature, if the Golden State Warriors project moves forward to BCDC's recommendation and consideration.

We're very grateful for all the work that's been done. One of the reasons that we've been able to have such a collaborative exchange is because SPUR has been helping us through volunteering Sarah Karlinzky, their policy director, who helped to facilitate these discussions, and we're very grateful to her. Again, I wanted to thank Lindy Lowe with BCDC, Jacquie Vance with our planning and development staff, and Brad Benson, who's always everywhere all the time. We will come back to you this summer with the next status report, with hopefully some good recommendations about improvements.

Janice Lee - I'm a community organizer with the San Francisco Bicycle Coalition. We've been a part of the working group for the last couple months. I know this process started about a year ago, and we've been on the tail end. During the walking tour, I've been part of the working group meetings as well. I want to first and foremost really applaud the efforts and the joint work between the Port and BCDC, especially the leadership of the Port staff here, as well as the many groups that have been involved. It's been Fisherman's Wharf CBD, it's been local residents, it's been obviously bicycle coalitions, SPUR, SF Beautiful, Livable City, the list goes on, and it's been really great to see all these groups work together. I also want to highlight how lucky we are to be in San Francisco. We all know how amazing the waterfront here in San Francisco, with the world-famous views filled with all this history. Being so popular, this also means that the Embarcadero particularly is getting busier every single day. Our waterfront deserves a world-class infrastructure and public benefits that can accommodate these volumes of people who are coming everywhere, as well as the local San Franciscans who are trying to enjoy our wonderful waterfront. We fully support all these efforts, such as this working group, to make the Embarcadero the best it can be, especially for biking and walking. We look forward to the upcoming committee meetings, particularly where we can look at ways to reduce conflicts between bicycles and pedestrians given the promenade issues; I'm sure we all have our stories there, and also ways to improve wayfinding and bike connectivity, particularly at Fisherman's Wharf, where there just aren't a whole lot of options when you're talking about how to get east-west on a bike. Thanks to the leadership of port and port staff and we're excited to see this working group move forward.

Commissioner Murphy - That was an incredible amount of information. I'm impressed. I'm looking forward to your next report.

Commissioner Woo Ho - I have a couple comments, and one that you've heard me talk about before. I think the public benefits are great, and I want to commend you all. It's great to see a joint partnership with BCDC and all the other community groups that participated, and the list of participants from the community is very impressive, including some of those that sometimes we sit across the table from. It's good that we were together with them. I have two comments. One, in the handout you gave us for the port-wide objectives, we do talk about maritime uses and transportation. What I'm not finding so far in the public benefits recommendations, which are very high-level with no specifics at this point, is not talking about water transport, given that we all are concerned about congestion on Embarcadero, and that there isn't more attention paid to what we should think of the Embarcadero on the water, not just Embarcadero on the land, and how we can move people more up and down that way. That means, because there's a lot of infrastructure requirements to be thought through, in terms of having the ability to have more water taxis or ferry service or whatever it is north-south, not necessarily just east-west. I think that part is missing in this working document at the moment to have some suggestions and recommendations on how the vision for that can happen in the future. That would be more of the high-level one.

The second one, I was just reminded of this today as I was walking across from the parking lot. I'm glad there's a biking coalition representative here. I was crossing at the light, and there were some bikers who stopped at the red light. There were other bikes that just whizzed right by. On the wayfinding part, I would recommend that we also put signs up that say something to the effect that, if you're on a bicycle, please observe the traffic laws. Because we see some compliance, and we see some people who just ignore, and just whiz right through the lights. Back to a bigger issue, which is safety on the Embarcadero should be somehow incorporated in this.

My comment is obviously a tactical issue related to safety, but safety is something we should consider, given the congestion, given the possibilities of cars and bicycles and pedestrians, and we know that all that is on the rise in the city, not just in our area. Safety should be something to consider. I also think on the wayfinding side, a very practical suggestion, because as much as I know that the biking coalition and others are trying to encourage people, but we must have ways for people to observe the traffic signs. If they do, then we will have better safety and less accidents and things like that. This is not just for the Embarcadero, but around the city, we need to remind people that they need to observe, because that's the only way we're going to address this issue and have less tragedies.

Diane Oshima - I agree. Thank you very much for those comments. I'd like add that there are other city efforts currently underway that relate to the traffic and transportation issues. You have had a couple of briefings on the waterfront

transportation assessment that MTA is leading. In terms of water transportation connections, that's definitely in there but I do agree with you, there's a place to incorporate that.

With respect to bike access along the Embarcadero, as part of the waterfront transportation assessment, the MTA is also starting up a bike study, essentially, that addresses the fact that we have a dangerous condition on the Embarcadero promenade now, and that if we want to be able to separate the bikes and the pedestrians, we need to provide a safer place for the bikes as well. But bike behavior and bike conduct and getting along with the other modes is as essential as giving more space to that mode as well. It's early on in that effort, but I know that MTA is very cognizant of those issues.

Commissioner Woo Ho - It's just very fortunate that we have this group that really incorporates so many different groups working together, and that's unusual, instead of having one group with their own agenda. It's important to find the right forum to address these issues, and it seems like this is one of them.

Diane Oshima - I agree, thank you.

Commissioner Brandon - Thank you very much, Diane, for such a wonderful report. I look forward to reading the draft report, and any comments that I have, I should just refer back to you?

Diane Oshima - That would be great.

Commissioner Katz - I want to echo the words of thanks to the working group members. I have seen how many meetings have been held, and it's quite an extraordinary number. I particularly want to thank Diane because you've been at all of those and have really been representing the port well in spearheading these efforts. I want to thank you especially for that and for your report.

I had a couple questions. One is, as we talk about the signage along the northern waterfront area, we've heard periodically what's happening with the blue-green way on more of the southern side, if you will. I wonder if there's some efforts as we explore signage, to figure out ways to make it somewhat uniform, so that it would unite all along the waterfront as we develop our signage. I hope that will be taken into account.

Diane Oshima - Yes. Even though the blue-green way is the newest addition to the waterfront, in terms of signage and wayfinding, we actually have more of a current view of how we might be able to do that that might give us some tips on how we can incorporate that in its own character for the Embarcadero. We are working on that.

Commissioner Katz - I know that wasn't really part of the planning study here, but as always, I guess there's concern about funding for some of the efforts. I don't know if it's taking advantage of the collective thinking of the extraordinarily

diverse array of members on the group, but certainly isn't necessarily part of the study, but to have the members think about in their different capacities and see if there may be some grants or other things that they might be able to pursue.

Diane Oshima - We have every expectation of raising those issues.

Commissioner Katz - I'd be remiss if I didn't say it but certainly, any pilot projects that might fall into funding buckets, that would be a good opportunity to explore that.

Diane Oshima - I agree, thank you.

- B. Informational presentation on the nomination of the Union Iron Works Historic District at Pier 70, a 66-acre waterfront property, generally bounded by Illinois and 22nd Streets on the west and south and the San Francisco Bay on the north and east, for listing on the National Register of Historic Places.

Mark Paez, Planning and Development division - I'm a preservation technical specialist. I'm here today to give you an informational presentation and a brief summary of the history of the Union Ironworks at Pier 70, and the nomination of that site to the National Register of Historic Places.

The Union Ironworks is located in the central waterfront adjacent to Potrero Hill and Dogpatch neighborhoods, between Mariposa and 22nd Streets, east of Illinois. The historic district nomination was prepared by Carey and Company, Historic Preservation Consultants, beginning in 2007, and was one of the goals of the Port's Pier 70 preferred master plan effort. Nancy Goldenberg is here representing Carey and Company.

The district nomination studied the entire 66-acre shipyard property bound by Illinois and 22nd Streets and the San Francisco Bay and evaluated it for a listing on the National Register of Historic Places. The northern portion of the site is the original 1880s shipyard, and the southern portion is what's referred to as the World War II new yard. The Union Ironworks Historic District contains a wide variety of industrial buildings, most of which date from World War II. The oldest buildings are located along one block of 20th Street east of Illinois. The nomination process revealed a complex and fascinating history that begins in the 1880s. This is an early view of the Union Ironworks, the red brick building is the building 113/114 viewed from the central basin, with Irish Hill in the background.

In 1884, the Union Ironworks built the first steel-hulled ship on the west coast, and it was launched from what is now slips 133 area of the site. This ship, the Arago, was a freighter for the Oregon Coal Company. In 1886 Union Ironworks constructed building 113, a blacksmith shop, and 114, a machine shop, fronting on 20th Street. These buildings were designed by civil engineer Doctor D.E. Mellis. These buildings were joined in 1914 to become one very large building,

which is referred to as building 113/114 today. This is the oldest surviving building from the Union Ironworks period on the site.

In 1896, the Union Ironworks constructed building 104 fronting on 20th, in a Renaissance revival style, to serve as the Union Ironworks office building and later a shipyard hospital. The building was designed by prominent San Francisco architects George Percy and Frederick Hamilton. They also designed the Sharon Building in Golden Gate Park. This building was expanded in World War II by the addition of two wings at the wing.

In 1886, the Union Ironworks secured its first naval contract, beginning a distinguished legacy of military shipbuilding. The Union Ironworks built the USS Olympia, which served as Admiral Dewey's flagship in his defeat of the Spanish fleet in the 1898 Spanish-American War, and the battleship USS Oregon, which completed a 15,000-mile trip around the tip of South America to confront Spanish, four cruisers of the Spanish fleet in Cuba.

Union Ironworks is nationally significant for its role in the birth and development of steel shipbuilding, and is one of the oldest continuously-operating ship repair yards in the country. Union Ironworks was known for its ability to fabricate onsite all component parts necessary for building and repairing a ship, and was a technical pioneer in the use of welding, hydraulics, and electricity in the fabrication process. During World War II, Union Ironworks was the best-equipped repair yard in the west coast, and utilized what was referred to as scientific management and mechanization to increase efficiency in ship-building.

In 1905, the Bethlehem Shipbuilding Corporation purchased the Union Ironworks. The Union Ironworks built the world's first hydraulic dry dock, which was damaged in the 1906 earthquake. There was also damage that we know of to buildings 113 and 114 from the 1906 earthquake.

Building 102 was built in 1912 by the Union Ironworks, also fronting on 20th Street. This building was designed by San Francisco architect Charles Weeks in a Renaissance revival architectural style. Building 102 is a powerhouse, and still provides electrical power to the BAE shipyard.

World War I, by 1910, the Union Ironworks was the largest private shipyard on the west coast. Before World War I breaks out in Europe in 1914, the Union Ironworks underwent an ambitious expansion and modernization program. By 1917, the Union Ironworks becomes the main commercial shipyard in the Bay Area to build naval vessels for the war effort.

In 1916, Bethlehem Shipbuilding Company constructed buildings 115 and 116, and those buildings were used for fabricating components for ship mechanical and propulsion systems. In 1917, Bethlehem Shipbuilding built a state of the art office building on the corner of 20th and Illinois. That building was their administration not just for this San Francisco yard, but for their entire Bay Area

operation. Building 101 was designed by San Francisco architect Frederick H. Meyer in the Renaissance revival architectural style.

Labor played a significant role in the history and success of the Union Ironworks shipyard. According to labor historian Marjorie Dobkin, generations of shipyard workers struggled to maintain their livelihoods and craft traditions in spite of challenges, and these included hostility of employers to organized labor, a volatile maritime economy, changes in production and technology and shipbuilding methods, industrial reforms such as scientific management, wartime production, and speed-ups.

The Union Ironworks Bethlehem Steel Shipyard expanded in 1936 because of contracts to build two 1,500-ton destroyers. These were the first of 70 ships to be built at the Union Ironworks shipyard during World War II. In 1938, Bethlehem Shipbuilding Corporation becomes Bethlehem Steel, and the shipyard is renamed the San Francisco Yard.

In 1940, the Navy purchased the original ironworks, which was adjacent to the Union Ironworks in the southeast portion of the site, and built a new yard, at the center of which is the massive building 12 complex. The complex was referred to as the new yard, and was responsible for the construction of anti-aircraft cruisers using pre-assembly fabrication methods.

By World War II, the shipyard reached full build out and employed a workforce of 10,000 men and women working around the clock in three shifts. Other Bay Area shipyards at Marin Ship and Sausalito and Kaiser Richmond Shipyard closed after World War II, but Union Ironworks remained in operation and is the oldest continuously-operating shipyard in the country.

Because of this rich history, the Union Ironworks Historic District is significant for the period 1884-1945. The Union Ironworks is nationally significant for its role in the steel shipbuilding industry. The Union Ironworks is also locally significant for the variety of architecture, which buildings representative of the evolution of industrial architecture during a 60-year period.

The district has 44 contributing resources that embody and reflect the historic period. In addition to buildings, the Union Ironworks District includes unusual resources such as this surviving remnant of Irish Hill, a significant landscape feature. Other contributing resources include slip number four, with its whirly cranes, number 14 and 30, the site of the former slips 133, which is between Crane Cove, the future Crane Cove Park and the BAE shipyard, iron fencing along Illinois Street and 20th, and the Pier 68 high water platform within the BAE shipyard.

The district also contains 10 non-contributing features, including segments of rail track, piers, wharves, and slipways. These features no longer retain historic integrity because they've been rebuilt or otherwise compromised by alteration or advanced deterioration.

The nomination process has involved numerous waterfront stakeholders and regulatory agencies, including port tenants, Central Waterfront Advisory Group, San Francisco Architectural Heritage, the Maritime Museum, Bethlehem Steel Museum, the Planning Department, the Mayor's Office of Economic and Workforce Development, the San Francisco Historic Preservation Commission, the State Office of Historic Preservation, the State Historical Resources Commission, and the National Parks Service.

The creation of the district plays an integral part in shaping the future of the site. The district supports the continued ship repair use which is the living history of the site. This district also supports the future Crane Cove Park, which will feature slip four, the only surviving intact slipway on the site, as a focal point and destination. The Union Ironworks District supports the Orton Development Rehabilitation proposed for the non-contributing resources along 20th Street, including building 113, the oldest surviving building on the site, by providing access to federal rehabilitation tax credits.

The district also supports new in-fill development on certain identified parcels that are vacant or under-utilized, including the 25-acre waterfront site that will provide for a city site, and will provide that development partner with access to the federal rehabilitation tax credits for their work on buildings two and 12.

I wanted to also point out that this is a very quick overview of the history. For a more detailed history, you can refer to the port's website, SFPort.com, and the nomination is posted on the website, and also our Central Waterfront Advisory Group member Ralph Wilson has prepared his own website, and it's been very helpful to us over the years. It's Pier70SF.org.

Lastly, the nomination is currently under review by the National Parks Service, and we hope to hear back from them as to whether it's qualified for listing by May 1, 2014.

Corinne Woods, member of the Central Waterfront Advisory Group since the beginning of time - This is a very exciting moment to have this nomination. Mark has done an absolutely phenomenal job of shepherding this all the way through. There've been all kinds of other people working on it. David Beaupre has also helped out on this, and many other port staff. It is so critically important to funding the Pier 70 rehabilitation to be able to have these federal tax credits, and we're just truly excited and truly happy that the nomination's in. I'm sure we'll get it.

Commissioner Katz - Thank you for all your hard work too.

James Madsen, Orton Development - We're partnering with the port on a number of these buildings, and look forward to redeveloping them. I wanted to echo Corinne's comments and congratulate Mark and Nancy and team on all the work they've done. It's a massive, very detailed document, and we're very

excited that the district is getting nominated. It's a very important part of our work to be able to get historic tax credits for some very difficult buildings. I wanted to congratulate Mark and say that we're excited to be moving forward together.

Commissioner Brandon - I'd like to thank you for a very well-done presentation. I can't imagine there's any more history that you left out. Thank you, that was really wonderful, and thank you Corinne and everybody who's been involved with this, because this has been a long project. Anything we can do to help make it actually happen would be absolutely wonderful. Thank you and congratulations in advance.

Commissioner Woo Ho - I also want to say thank you very much for a detailed report. My only question is on the timing. There was a Pier 70 master plan, and now we're doing the nomination. I'm just wondering why we're nominating now and we didn't do it before.

Mark Paez - Actually, the nomination, as I mentioned, was finished in 2007, and we went through a review process with the State Office of Historic Preservation and the National Parks Service, and we got preliminary comments, and we were pretty much ready to go. Then it was decided that we needed to bring our development partners onboard first, and to finish the environmental assessment of the site that Carol Bach was heading up, so that we didn't lock ourselves into something that we couldn't necessarily fulfill. We understood that there may be specific resources that rather than remediate them, it might be best to remove them from the site, and we needed to understand holistically how that would all play out. That largely was the reason why there was the delay.

It took us a while to get back on-track with the nomination, bring our consultant back onboard. In the meantime, there was a whole new administration with the State Office, and they wanted to take a fresh look at it because they were new and hadn't been part of the process going forward. I think we actually benefited from doing that, because they actually got in and gave it a really thorough technical review. Because of that, we're going to have success with the National Parks Service approval.

Commissioner Woo Ho - So, the nomination, in terms of what was nominated in 2007 and now is basically the same, but it sounds like there's more content and substance to it?

Mark Paez - Yes, and more rigor in terms of the justification and classification of resources. We struggled, for instance, with all the waterfront features, because there's such a lack of integrity because those features by their very nature of being on the waterfront and evolving to serve new needs were rebuilt or altered. But we were able to achieve a balance of designating some that we really could justify as being worthy, and then many of the others, as you saw in the slides, are really just ruins.

Commissioner Woo Ho - I'm certainly supportive of what it means, and certainly it's important in terms of the tax credits for the funding of the project, so I don't have any issue with that. I was just curious on the timing. You've explained it, but normally that would've been step one and then gone the other way, but I understand it better now.

Commissioner Murphy - I'd like to say congratulations Mark and everybody involved in this, bringing it to this point, and I echo the rest of the commissioners' comments. Why not before, why not today, why not get it done? I personally have been looking at that site for 40 years, and before I ever became involved with this commission, I often wondered why on earth we haven't done anything out there. After getting two or three up-close tours of Pier 70, it's an incredible place. It has an incredible history. I got one tour with James Madsen, and walking into these buildings, it was like walking into great cathedrals in great cities that were just in disrepair. I congratulate you guys for doing this, and I also congratulate the developers that are coming in and putting up money to restore these buildings to their original charm and to everybody who's involved in this wonderful project.

Commissioner Katz - I echo all the praise and thanks. I also find this one of the most exciting projects, and appreciate all the incredible amount of work that's gone into it. To follow up on some of your comments as to why now, it looks like we've actually expanded some of the buildings in terms of rehabilitation. I appreciate the deliberate approach that was taken so we could include more. I want to thank you for that. I do have one question -- I don't want to sound like a downer, but is there any scenario where the entire 66 acres might not get designated, but they would designate a portion, or is it all or nothing or some buildings, would they ever do that, or is it really just the whole package?

Mark Paez - The short answer is, it's really the whole package, but we did explore that. Folks like Corinne, who were involved from the very beginning, know that the port staff initially came in and said based on what we had learned with the Embarcadero Historic District, which by the way took six years to complete, so we looked at various scenarios about, what about just the buildings on 20th Street, what about having discontinuous pieces of district so that the vacant lands were outside. The direction that we got from the regulatory agencies, State Office of Historic Preservation and National Parks Service, the ownership and the history really justifies it being the entire property. We might be surprised and get a response other than what we think, but based on the guidance that we've been given, I don't think we're going to hear anything different.

Commissioner Katz - Thank you all for your hard work on this.

- C. Request approval of a Memorandum of Understanding between the Port and the San Francisco Mayor's Office of Housing and Community Development regarding development of affordable housing on Seawall Lot 322-1 (located at Broadway and Front Streets). (Resolution No. 14-16)

Ricky Tijani, Planning and Development division - This matter before you is not about the approval, the MOU itself is not approving a project. It is the approval of a guideline that port and housing staff will follow as they pursue the feasibility of improving the site with affordable housing. In the end, we want to be able to lease the site to the housing office to receive job housing credits that we can use to offset the cost of developing Pier 70, which is the item you just heard because the historic tax credit is not going to be enough to get Pier 70 redeveloped. We're going to need a lot of resources to make it happen.

SWL 322-1 is located at the corner of Front and Broadway, and across from Embarcadero is Pier 7. The current use of the site is a parking lot. It is in and is near historic districts. There's no building on the site at the moment. The site being used as a parking lot is providing the port with approximately \$600,000 a year, which translates to about \$48,000 per month. In relation to the funds being generated to the port, funds going to the Harbor Fund, it's one of the reasons why we think that including a parking garage to continue to generate revenue for the port's Harbor Fund may be necessary.

The zoning for the site is currently C2, which is community business, permitted residential with other uses. Staff anticipate that this proposed development, particularly for the housing component, more likely may include up to between 170-200 single-housing units, or maybe between 80-150 family units. The commercial component or the retail component would be small. We envision that it may be between 2,000-5,000 square feet, along with the proposed public parking garage.

The connection between this site and Pier 70 is what I'm going to talk about next, because as part of the effort to find funding to address the funding of Pier 70, back in 2011, staff approached the Port Commission, as well as the community members and groups through NEWAG with a strategy that they need to approach the State Lands Commission and State legislators to find a way to come up with legislation that will allow the lifting or limited lifting of some of the use restriction on the seawall lots that are on the northeast part of the waterfront.

In 2007, Senate Bill 815 was passed to allow for the lifting of some of the use restrictions on seawall lot on the northeast part of the waterfront. This relates to the issue of the capital, size of the capital funding that the ports required.

Following that, in 2012, Assembly Bill 2649 was passed to allow this particular seawall lot to be added to the seawall lots that were identified in the Senate Bill 815. It made it a condition that the site should be made available for affordable housing by leasing it to the Mayor's Office of Housing.

In 2012, the Board of Supervisors passed an ordinance that helped with the implementation of those two legislations, and it authorizes the port to lease the site to the Mayor's Office of Housing and Community Development. To execute an MOU for the affordable housing in return to receive housing credits that could

be used to offset some of the costs generated by Pier 70. Most of these costs are from the development impact fees that would need to be paid.

There are some challenges as indicated in the previous presentation on the status of these buildings. These are historic buildings on Pier 70. These three buildings on the site are under the control of Forest City. They're going to require a significant amount of money to get them restored. Some of those challenges include expensive piles to support buildings on tidelands, high historic building rehabilitation costs, high cost of building in the historic district, environmental cleanup, as well as development impact fees and the approval process.

Following those legislations and the ordinance giving staff the ability to move forward, we went back to the community to apprise them of steps that are being taken regarding the proposal. We reminded them of the two main objectives of pursuing this, which is to develop affordable housing on the site and use the funds raised from that to help with Pier 70. Since then, port and Housing Office staff have been jointly pursuing moving forward with the direction provided in the legislation.

The MOU is going to be for a three-year period, with a 12-month extension. The terms of the extension is going to be subject to the approval of the executive director for the port, as well as the director for the Housing Office. The lease is structured to be for a total of 75 years, on the condition that we will be receiving job housing credit. The MOU equally includes that the developer will be paying for the overall cost of the development so that covers predevelopment, construction, and permanent financing for the affordable housing. However, the port will be paying for the parking garage component, assuming that a parking garage is financially feasible.

Terms of the MOU -- the project approval is subject to public review and CEQA clearance. Port will be delegating the developer solicitation process to the Housing Office. Rather than the port being the lead in issuing the RFP, the Mayor's Office of Housing will be issuing the RFP, and following their standard and customary process they follow in selecting a nonprofit developer to do an affordable housing project

An affordable housing project is rather complex because in order to make those units affordable, they require a lot of layering of funds. It is very specialized, and it's one of the reasons that we would rather let the Housing Office take the lead in issuing the RFP and selecting the developer and determining the type of housing to be built.

Currently the Housing Office mandate is to maintain permanent affordable housing for the city. When they spend a lot of resources, they want the housing stock to remain for as long as possible. In this situation, we anticipate that when the trust restriction that was listed for that finite period will come to an end, what will happen to the affordable housing? We will look into a strategy that may allow us to help them with their mandate. It may include going back to the state

legislature and asking for an amendment to the existing legislation but we do have the provision that we will look at a way to address that issue.

We went back to the community, we told them all the steps that we are going through, and we addressed most of their concerns in terms of being inclusive, in terms of some of the issues we have no control over at this point, because those issues are going to be addressed during the design phase of the project. Mainly, will the garage be on the ground level, is it going to be subterranean, is it feasible to the port? Because if it's not feasible to the port or we can't find the money, we may not do that. Then the affordable housing developer has to do those analyses in order for us to be able to make a decision with that. To be responsive to the community, we indicated that we will form a working group from that community to assist with the review and objectives of the RFP, and we even went further to say that we will allow a member from that community to be part of the voting member that will eventually select a developer. These are part of the customary approaches that the Mayor's Office of Housing will go through, but I believe that we made an extra effort to address this issue in the MOU.

Next Steps – If the Port Commission approves the MOU, we will execute the MOU. The Housing Office will start the RFP process, and they will go back, hold community meetings to apprise them of the steps and what is going to be in the MOU. Of course they have to look for funding for this project, develop funds to get the nonprofit developers to start processing and analyzing what could be built on that site. They will use the predevelopment loan agreement as an equivalent of our ENA. That predevelopment agreement will lay out the roles of the developer and other issues requested of the developer. They're going to go through the entitlement process and CEQA clearance. The CEQA process is going to provide opportunity for public comments, make sure that the issue of traffic, the issue of the impact of the project, are addressed.

At the end, we will come back to the Port Commission to present the proposed project and the lease that goes with it for your approval. Teresa Yanga as well as Anne Romero from the Housing Office staff are here to assist in responding to your questions.

Bob Harrer, president of the Barbary Coast Neighborhood Association (BCNA) – I appreciate the opportunity to be here today. We are one of four neighborhood groups that have sent a joint letter to the commission expressing our disappointment with the MOU at this point. It's important to understand that we have endeavored to work constructively with the agencies and the staffs involved to provide input on the proposed project. When staff announced either late last summer or early last fall, that they were serious in moving ahead, we requested that there be a meeting with the community, so that the community could be apprised of what the plans are and what was in store, at least as far as what was being envisioned at that time. The BCNA, in partnership with the Telegraph Hill Dwellers, co-sponsored that public meeting where the agency staff were there to explain the status of the project, and the public was able to provide input.

In working with Telegraph Hill Dwellers and others such as SoTel Neighbors, we developed or analyzed the comments that we heard at that particular meeting. We developed a list of concerns that were communicated to the staffs, and we eventually documented those concerns in a letter to the two agencies. That letter has been provided to you as of yesterday. We assume that is part of the record. If it is not, then I have an extra copy that I can hand in.

In summary, the result is that we have an MOU here which does not seem to reflect the input that has occurred over the last six months. In fact, it does not look much different than what would've been envisioned six months ago. Because of that, we would respectfully request the commission not approve this MOU.

Lee Radner, Friends of Golden Gateway - We support what Mr. Harrer just said about the March 10th letter sent to you concerning the memorandum of understanding, the MOU. I would like to go one step forward and ask that at this moment you table the proposed MOU for the development of seawall lot 322-1. I ask that you table it, as once again we are ignoring a plan for overall waterfront development, but spot-developing on one parcel. I might add that I think in history, doing this kind of spot-developing has not been very successful on seawall lots.

At this point, I'd like to change gears here and thank Diane Oshima for doing a very fine report on the development of the waterfront. It seemed to me that she has possibly been reading the community vision for San Francisco's northeast waterfront that we proposed back on November 13th once again to the port commissioners, which was developed by the Asian Neighborhood Design (AND) Group with input from many community organizations.

The AND vision plan is a serious effort to provide the entire northeast waterfront corridor with revenue benefits to the port and many benefits to not only the Embarcadero neighborhoods, but opens the waterfront to the entire city that does not now exist. The vision plan not only aids the port's needed income, but maintains open space, housing, transportation, parking, recreation, and visitor destinations, all within the present height limits. The vision plan will enhance a visitor's experience to the waterfront and complements the west side to the bay side. I once again urge the commissioners and staff, and with the help possibly of Diane, we can sit down with her group to make a serious effort to work with the community neighbors and this opportunity to enhance our prized waterfront. We are all stakeholders in this effort.

Corinne Woods, member of the Central Waterfront Advisory Group - I'm here from the perspective of Pier 70, asking you to move forward with this MOU. I know how very difficult it is to put affordable housing together, having worked on Mission Bay for a long time. I know how really critical this is as another piece of the puzzle to fund Pier 70. I'm sorry that apparently the northeast neighbors don't want affordable housing in their area, but it's a tremendous opportunity for

the port to address the jobs/housing balance, to bring much-needed housing through the port's auspices, and I urge you to move ahead.

Peter Cohen, Council of Community Housing Organizations - I actually just found out about it, and I'm here to support the MOU. I'm not really sure what the problem is, if it's about affordable housing. If you look around the city, developments by affordable housing providers are some of the most attractive architecturally in the city. They're under an incredible amount of scrutiny. There is no stone unturned when it comes to trying to go through the entitlements process, working with the community. You can have as many hearings as you want. You compare that to how market-rate development is done, and I'd love to see a market-rate developer go through the kind of grind that affordable housing has to come with. There is no question in our minds that you're talking about some of the best product in the city.

It's also important to think about who's being served. These are families, these are seniors, these are youth who cannot live in San Francisco but for the kind of work that can be done on this site or others. Again, I'm not quite sure what the problem is, if the folks that are being thought about for this particular site are unwelcome in this community or if it's the concern about the architecture, but those are standard things that go through any kind of an entitlement process.

I also want to point out the backstory to this. I read the staff report. It is my understanding that this is a land transfer being done in exchange for credits on jobs-housing linkage fees to support Pier 70. We endorsed that proposal after a lot of hard thinking, but because the jobs-housing linkage fee requirement on commercial development is a funding source for affordable housing that we use throughout the city. The port came and said they would like to be able to have an exception to allow under certain circumstances transferring land in credit for those jobs-housing linkage fees. That works very nicely for Pier 70. Corinne Woods is correct, Pier 70 needs this kind of transfer to make their funding work. But you also get a site in prime real estate of San Francisco for affordable housing. It's a real win, but didn't come easily for us to forego the funds that pay for affordable housing in exchange for land. Again, this isn't just any old thing. This is a special project that's been highly scrutinized, good location, and I hope you support the land transfer for a good affordable housing project in the neighborhood.

Commissioner Woo Ho - The last speaker probably did summarize, as well as the presentation by Ricky. The focus today should be not all the issues about the project itself, but about the process, and how we're going to work, which is what our role here is, how we're going to work with the Mayor's Office of Housing. I do believe that the last speaker just validated that there will be a very vigorous public process with the input from all the communities, in terms of the particular concerns about what should be in the project itself. We are not agreeing to the terms of the project, we're agreeing to a process of how this is going to proceed. On that basis, I would support the MOU, because it's the process of how we proceed, not what the project itself is at this point. That is to be determined and

to be presented after going through a very rigorous public process with all the other agencies in the city, to be led by the Mayor's Office of Housing.

Commissioner Murphy - It should be treated like any other project in the city. I'm all in favor of offsite housing. I'm really concerned, have we done the outreach that we really need to do, same as we do in every other project. I'm not sure whether the Mayor's Office of Housing has done that or not. I think all stakeholders should be brought to a table, whatever table it is, and flesh all this stuff out.

Commissioner Katz - Jonathan, could you perhaps address Commissioner Murphy's concerns? What kind of outreach was done to develop the MOU?

Jonathan Stern, Port planning and development - I thought I would stand up here in advance of our friends from the Housing Office, because up-to-date I would say it's been a port process, outreach process, to reach this point, to reach an MOU, which Commissioner Woo Ho is absolutely correct, it is a process document. Going back to 2011, we have set the framework to begin a partnership with the Mayor's Office of Housing to allow the hard work of an entitlement process for affordable housing to take place in the future. That's my view of this process. That being said, in 2011, we went to both the Northeastern Waterfront Advisory Group (NEWAG), the Central Waterfront Advisory Group (CWAG), other advisory groups. I personally met with the board of BCNA and we met with other groups to vet the legislation before it went to the state legislature and to the Board of Supervisors.

Mr. Harrer is correct, starting in August after working with the Mayor's Office of Housing, we went forward to meet both with the NEWAG several times, we gladly participated and presented at a meeting that BCNA and THD called jointly specifically to address the project, and we met individually with designated representatives of these groups. We thought that was a good basis of coming up with an agreement of, again, a process document.

That being said, I actually in some ways was heartened. The original letter of the list of concerns and guidance from those groups was about three pages long and came back with four bullets that are still a major concern. We understand why they're of concern, and we think that specifically the ones that are about the final project, about underground parking versus at-grade parking versus activated fronts, are definitely subjects of the entitlement process of any project, let alone an affordable housing project. I actually would defer to my colleagues in the Mayor's Office of Housing on some of the process questions about their technical selection of nonprofit developers, how they run their RFP process. We understand that as professionals, we have a specific way of doing it, and they have great experience of doing that for affordable housing. So, I'm not going to speak in-depth about those processes going forward.

Commissioner Woo Ho - I have one more comment. Just to verify, when we go through this entitlement and CEQA process, and the question of how does this

affordable housing, I understand the linkage to Pier 70 and why that's so important, but in terms of how we do think about it as far as the port's overall strategy for that neighborhood. I'm assuming that does get addressed, even though it's not addressed at the moment in this document. But it will be addressed extensively, because that is of interest to the commission to understand how this fits in with everything else, aside from its intrinsic value to Pier 70.

Jonathan Stern - You're absolutely right, and I'd like to add that both the Waterfront Land Use Plan and its vision for the massing and the use of this site, the Northeast Embarcadero Study, the policy document that Planning did in 2008, 2009, 2010, and even the AND study, all three converge on a massing and a pallet of uses. Since then, we have gone to the state legislature and have given ourselves the opportunity to do this new use, this limited non-trust use of affordable housing here. I think that has helped, that legislation has helped solidify what was already good policy documents from all those sources.

Commissioner Murphy - Right now, we're getting somewhere around \$600,000 income from that parking. Essentially, when this is built out, how does the port gain?

Jonathan Stern - That's an excellent question because we have to build good uses, we have to meet city-wide goals, and we also have to think of the Port Harbor Fund. This project financially benefits the port theoretically in two ways. The first is the one that Mr. Tijani went over, which was to provide housing credits that can be used for various uses to develop Pier 70, and that's something obviously is a major policy goal that the commission has given to us over the years and that is estimated in the staff report, approximately \$7-\$8 million of essentially a lump sum credit. That's of great value, obviously if it can be designed, if it fits with the overall entitlements to do some continued public parking on the site. Right now, there are 145 striped spaces. We're hoping, though we don't really know, it's too early to tell, to get about 100 striped spaces in the structure in the long run. So, we haven't yet estimated how much ongoing revenue that would generate, but it should be a significant fraction of what's being generated there now, in addition to the credits.

Commissioner Murphy – Would that be underground parking?

Jonathan Stern - It would be either underground or at grade with retail around it. It's a relatively large site, it could probably accommodate both.

Commissioner Brandon - Commissioners Woo Ho and Murphy have asked a lot of the questions I was going to ask. For me, it just seems a little backwards because we're usually issuing our own RFP, understand the project, and move forward from there. But now it seems like we're just giving a blank slate to the Housing Office. We really don't know the details of the project. I know it says it's a three-year MOU and that you're going to come back to us once certain benchmarks are met. Do we know what those benchmarks are or what the

process will be to come back to us and let us know exactly what's going on with the project so we can get more public input? As Commissioner Murphy noted, the revenue that we're losing, how and will that be reinstated through this project?

Ricky Tijani - Starting with the project itself, in the staff report we indicated that this is going to be a mixed-use project with affordable housing of X number of units on the second-level and above. On the ground-level, you're going to have retail, parking, and other support services. What is not known at this point is the type of affordable housing. Is it going to be for seniors, is it going to be for median income, is it going to be workforce housing, is it going to be for low income or seniors? We don't know that. They have to flesh that out when the developer comes onboard.

In terms of benchmarks and milestones, obviously once we have approved the MOU, they have to find the funding, because nonprofit doesn't have the money. They have to go before the city-wide loan committee to get an approval for money to get the developer to start working on the project. That process has its own vetting process that they have to go through and figure out if this project makes sense. They have to do the schematics, but before they even do the schematics, before they do any of this, in issuing the RFP, they want to go back to the community, the stakeholders to say, here is the RFP, here are the goals and objectives we're setting in it. They have the opportunity to comment on those issues that go into the RFP, so that the developer coming in knows all the various issues they need to address.

That's one major milestone, making sure everybody agrees on the MOU and what type of development's being proposed, and what type of developer is coming in, so that the developer knows exactly what they're going to be facing. Once that is done, then the selection of the developer, the Housing Office will go through that. We will be working with them to make that happen. Normally, before a developer is selected, maybe two or three or four responded to the RFP, the community will hear about it. They will know the issue, and then they will go to the process of selecting the best fit to do this project. That is where the community is empowered to be part of that working group previewing what comes in.

Prior to the developer being selected, once Housing Office determines which developer they will be using, we will come back to you to apprise you as to where we are, why this developer has been recommended and what the next step will be. Once the developer comes onboard, we then go through this entirely active process. They will do design creation, they probably will look at different options if the parking is underground, if it's above ground, if it's on a portion of the site. We will review that, at the same time running the feasibility of whether the parking garage is feasible or not.

At that point, before we make a decision whether the garage goes in or not, we will come back to the commission to apprise you of the issue with the parking,

whether it will work or not. So, there's a lot of opportunity for the community and the commission and the community members to see what is going on with the project. In terms of timeline, currently the Housing Office has an extensive pipeline, because they took over a lot of affordable housing projects. The short answer is, they hope that they will issue the RFP within a year from getting approval here. Once they issue the RFP, it will take another two years to go through the entitlement process, because of the extensive community review and CEQA process.

Commissioner Brandon - When I first started hearing about this project and thinking about the feasibility of the project, I wanted to make sure there was some type of way for the port to recoup its revenue and be able to participate in the revenue generation of the project, and I'm just not quite sure I'm hearing that. It sounds like I'm hearing that it's up to the developer, once they get involved, to let us know if we're going to participate or not.

Ricky Tijani - Usually when you own a property, you sell it, and you get your money upfront, you're done. But in this case, because we usually lease a property, we're getting the fair market value for the property upfront. So, getting the revenue from the parking is an addition. As a matter of fact, the Housing Office was telling us, they said wait a minute, you're making us pay for this, what about the parking? So, you're going to have to pay something for the parking. We may have to consider the land value allocated to the parking to be deducted. We're saying, the housing density, if it's now reduced, if you're able to build X number of affordable units, then whether we put parking or not shouldn't be material, but at least we'll pay for the parking. We are getting almost like a double deal.

Commissioner Brandon - Sounds good to me.

Commissioner Murphy - One question to Jonathan. I'm still a little concerned about income for the port. I understand the \$8 million lump sum, I understand the 100 parking spaces income to the port. Have we yet visited at any point holding onto two floors, like the ground floor commercial and maybe a floor of offices above, which would be income to the port? Have we thought about that at all? Once a developer gets a hold of it, we're not going to have a lot of say at that point. It's going to be gone fast.

Jonathan Stern - Those are some very good ideas, and ideas that have been floated at the port in looking at the feasibility of development on the northeast waterfront for quite a while. The particular challenge in these seawall lots is the trust uses, and what we are allowed to build, what are the use restrictions? As Ricky highlighted, we went to the state legislature to ask for a very narrow exception to those trust use rules on this site, essentially saying that everything above the ground floor would be affordable housing valued essentially as if it was residential land. We were trying to get the best of both worlds, double-dipping, as Ricky said, of saying it's entitled, we're selling it, if you will, for a credit as if we were selling residential land, market-rate residential land, but the

exchange for that is, we get it in the form of credit for Pier 70, and that we are essentially saying yes, you can do affordable housing above the ground floor.

That being said, the uses on the ground floor of parking, which has been a very lucrative use basically on the revenue here, and even retail, are opportunities, and we can study those further and report back to the commission either at your pleasure, either before we go ahead with issuing an RFP, or perhaps once we have a nonprofit developer onboard and they have done some of the technical work we often ask our developers to do for its feasibility in regard to port revenue.

Commissioner Woo Ho - So what you're saying above the ground, but on the ground floor, retail, commercial parking is not excluded from the possibility?

Jonathan Stern - That's correct.

Commissioner Woo Ho - I think the guidance would be that the MOU should not exclude any possible combination of possibilities. Since we have somebody from the Housing Office, could they speak to how they would view this, and their solicitation or process that we might learn something that we haven't heard already?

Commissioner Katz - You actually took my next question away from me. If you could also address the process questions, I think Ricky did a great job going through it a bit, but if you could speak to where the Mayor's Office of Housing fits in, the process that comes next, how you develop the RFPs, and also where this would fit in generally to what the office is doing in terms of affordable housing throughout the city. As one person alluded, this is just one piece of the puzzle.

Teresa Yanga, Director of housing development at the Mayor's Office of Housing and Community Development - I can't say enough how excited we are about this project potentially moving forward, assuming that the Commission approve the MOU. As Peter Cohen alluded to, affordable housing is very important to the community, and of course to the Mayor, as well as it's a dire need.

In terms of the RFP process, as Ricky had mentioned, we would be planning to go back to the community about talking about the goals and objectives of the RFP. The hope is to specify that the ground floor use would be for the port's use, potential parking, so that a developer in their submission to that RFP would say, this is what we think could be designed and financed for that purpose, so that we know those are the particular parameters the developer would have to be compliant to, to make sure their RFP response anticipates the potential port ground floor use for that parking garage.

Commissioner Katz - Can you talk a little bit about the process in terms of neighborhood groups and community groups, having the opportunity to weigh in on the RFP process?

Teresa Yanga - That's actually a little unusual for us, quite honestly. Typically, we would be developing the RFP, and then have a community member as part of the selection process. The very fact that we would be seeking community input prior to the RFP issuance is very unusual. That being said, we're making that particular commitment because of the community's keen interest in this particular project. The port may or may not be familiar, we actually have two affordable housing developments just directly across the street and up the block from this particular site. The hope is, we would be continuing that particular good work of developing quality affordable housing within the neighborhood that would be hopefully a welcome site within the community.

Commissioner Woo Ho - I'm looking at the process. It appears that the Port Commission will finally have to approve the lease. So, as you're developing the RFP, is it possible for us to request that we get an informational briefing on your RFP, and so that if we can provide input at that point to make sure that we feel that all the aspects of what we think are important. It sounds like we are giving the Housing Office the authority to manage the process of selecting the developer, but as far as my experience right now, getting the right input into the RFP is important. The Port Commission is requesting to see the draft RFP, and if there are any comments from the Port Commission, for you to consider before you actually set it out

Teresa Yanga - We'd be more than happy to accommodate that particular request. I know the staff had mentioned about making sure they were coming back to the commission with periodic updates, so if the port commission requests to look at the RFP before it's issued, we're more than happy to do so.

Commissioner Katz – Thank you. This is an exciting approach to address the housing concerns facing our city, and I'm glad the port is part of the fabric and working toward solutions. It's kind of funny, we keep referring to the seawall lot, and I guess, before I start the rest of my comments, I realize for the public generally, perhaps if someone could just very briefly define what we mean by seawall lot, because it isn't intuitive. It's not up against the water. It's actually set back a ways. I wonder if one of you could give us the definition so that the public understands what we're talking about, that it's not on the water side.

Ricky Tijani - These are seawall lots that are to the west of the Embarcadero. They're cut off from the waterfront. Before, they were used for warehouses that support the maritime activities, but they're no longer being used for that. So, they're cut off from the waterfront. They could be used for other things. Seawalls are just this parcel of land. There are only four of them on the northeast waterfront that the port owns. A good example is Seawall Lot 322-1. It's at the corner of Broadway and Front. That's almost two blocks from Embarcadero to the west. It has no direct connection to the waterfront. In the future, that is why the use restriction is being lifted for a given period, because in the future, maritime activity may demand that those spaces become available to the port again. For now, they are land parcels that are isolated, cut off from the waterfront. That's what they are, seawall.

Commissioner Katz - Some of the other questions I had them have been answered already. However, in terms of developing the MOU, a number of community groups were consulted, as I understand it, including the ones that have submitted a letter and raised concerns. But am I correct in understanding that under the proposal they're referencing from Asian Neighborhood Design, it was actually to have a hotel at this site? Is that what's part of that project? Then, are they requesting no low-income, just moderate income and senior housing, but excluding low-income, or am I misreading the letter here?

Jonathan Stern - In our meetings with the Telegraph Hill Dwellers, Barbary Coast Neighborhood Association, and South Telegraph Neighbors, we met with representatives of each of those, and we reviewed their January 31, 2014 letter in detail. To answer those questions to the best of my ability, they are seeking that we explore a range of housing that would include what I think we're calling either moderate, median, or workforce housing, depending on how precise you want to be, as well as senior housing. They're requesting that those be examined, and at least in that meeting, we agreed to explore those, and the Housing Office agreed to explore those. That was an accidental omission in our staff report, to make that clearer.

Commissioner Katz - So we're not excluding low-income?

Jonathan Stern - We're not excluding low-income. The Port and Housing Office will explore their suggestions and they will ask their nonprofit development partners who bid on that RFP, to explore as well.

Commissioner Katz - What I'm getting at is, they requested no low-income, as I read it, but we will at least explore the potential for low-income housing as well?

Jonathan Stern - That's correct. You had a question about the community involvement. We have met with NEWAG several times, including to go over and respond to our positions that we tried to put in the staff report, to their January 21st letter. That NEWAG meeting went very well, and there were very few concerns raised at that NEWAG meeting. So, the March 10th letter took me a little bit by surprise, because again, we went to our public advisory group to try to vet the positions we're going to bring to the commission, and we did not hear much in the way of opposition to the MOU as we wrote it.

Commissioner Katz - The design they reference, they wanted a hotel on this site?

Jonathan Stern - The Asian Neighborhood Design study, I imagine, looking at trust uses and looking at the Waterfront Land Use Plan, picked up on the fact that that's an allowable use, both from a trust perspective and apparently from a neighborhood consistency perspective. The AND study as they presented to the NEWAG, in February, they did note in that study that the only reason they weren't recommending the exploration of housing and affordable housing is because when the AND study was written, that was not an allowable use on that site.

Monique Moyer - I'll also add that the Port was not included in AND's work, nor was our public body of NEWAG. So, it's hard for us to speak to what they were intending, other than what we've seen as presentations, but we were deliberately excluded.

Commissioner Woo Ho - Was there not a proposal in the past for a hotel?

Jonathan Stern - This site was part of the proposal for a hotel. There was a hotel that was primarily on seawall lot 324, which is at the corner of the Embarcadero, Davis, and Broadway, two blocks in front of this site, or a block and a half. This site was used as support services parking, back of house, as part of that proposal.

Commissioner Katz – I, for one, am happy that we're looking at affordable housing on this site. Thank you all for your efforts to put that forward, and on behalf of so many of us that are facing a housing crunch in the city, I certainly appreciate that.

Commissioner Brandon - What is the definition of affordable housing?

Jonathan Stern - There are many different definitions of affordable housing. Affordable housing is usually defined through the jobs-housing linkage program, and by the Housing Office, it usually refers to low-income housing, which would mean residents or families in 55-60 percent of the area median income. That translates up to about \$60,000 for a family of four.

For senior households of one or two households, that usually goes up to \$42,000. That's the low affordable housing level that we're talking about. I believe for purposes of the state legislation, affordable housing that's low, but there's often low, very low, and moderate affordable housing, and that would range up to 80 percent, or even sometimes as high as 120 percent of AMI (area median income). Those would be essentially households that could earn, four-person households of \$100,000 or more, at 120 percent.

Commissioner Woo Ho – It's possible that we're only speculating at this point because obviously a developer has to look at it, and the combinations, but it's not improbable that you could have low and moderate income in the same building?

Jonathan Stern - It is possible. It's something that we said we would explore. I don't want to speak for my development colleagues, but the capital stock, the funding sources for affordable housing are usually very particular, and it makes it challenging both to assemble all the money to do a mixed project, and then you start diluting some of the programmatic goals of that project as well. Usually, for example, if you want senior housing, if you only have a third senior units in a building, then it's very difficult to have a senior activity, or you start diluting the subject groups that you're trying to serve. Because very often, these have at least some programmatic elements to serve low-income communities.

Commissioner Brandon - Has the Housing Office given any thought to what they're looking for on this site?

Teresa Yanga - We're trying to explore all different possibilities. Just in terms of the definition of what's considered affordable by our office, it's 120 percent of median and below. So, Proposition C, the housing trust fund, which was passed by the San Francisco voters last November, it actually defines affordable housing as 120 percent and below. So, if we ended up using some of that housing trust fund money for this particular project, we would have to be serving households at or below 120 percent.

Commissioner Woo Ho - Would you affirm the dollar amount that Jonathan just said, \$60,000?

Teresa Yanga - In terms of the income groups, just so the Port Commission understands, for a family of four at a 120 percent of median, currently is at \$116,500. So say if a senior is a one or two-person household, at 120 percent of median, that's about \$81,500 up to \$93,000 for a two-person household, at 120 percent of median. So, those would be the range or the highest income group that hopefully we would end up looking at.

Commissioner Katz - I just want to make sure we address the concerns that were raised. Another point here is parking. They indicated they were concerned that underground parking is not considered, but it is my understanding that we will consider that and that would be an option potentially?

Jonathan Stern - As stated in the staff report, we will consider public parking, including underground parking. There is some concern, as always on port projects, on the kind of soils we have, etc., about the feasibility of any parking structure, let alone an underground one, but it's something that we're committed to explore partially, because as the port commission has very rightfully pointed out, it is a good source of ongoing revenue, not just one-time Pier 70 directed revenue.

Commissioner Katz - Moving forward, it will speed up the process of getting affordable housing built, if we were to try and pull it into another process. I would imagine that would add significant delay. Another question I have and want to just be clear on this. My understanding is, if and when a nonprofit developer is selected for the site, they will, as part of the process, work with the community and seek input?

Teresa Yanga - Yes. Actually, as part of the RFP, we would actually make it very specific that the selected nonprofit developer would be expected and required to seek community input through working group or citizen's advisory group. That's very typical for affordable housing, to do some kind of community process, or at least community feedback, especially through the design and the entitlement phase, because we want to be sure that we're being good neighbors, but also to be responsive to the community in what's being designed.

Commissioner Katz - At this juncture, just to put a close on it, we are just voting on the MOU to allow the process to go forward, for MOH to then do what they do much better than we do here at the port, in a sense, is that correct?

Commissioner Murphy - I'd just ask if through your MOU, if staff could fill us in a little more than twice a year on this particular one, like every 2 or 3 months.

Jonathan Stern - We can make that commitment.

Commissioner Woo Ho - Let me suggest something. Ricky did reference a lot of possibilities of coming back to talk to us. Why don't you outline it in more clear steps, and come back to the commission, and then we will look at the timing. If it's once every two months for this step, or it could be four months later for the next step, rather than have a standard formula.

Commissioner Katz - Let's try to end this item as we were just alerted to a bit of an emergency down the way.

Fredrick Allardyce - I'm representing a group of neighbors in the neighborhood by the name of Recreation Open Space of the Waterfront. I should let you know that we're going to be probably filing an action to stop this process, and that's because the neighborhood itself has not been notified of this activity, much less the conversion from the seawall lot. We're going to be using several attorneys to do the same thing we did with seawall lot 351 when the judge overthrew the change of that from a seawall lot that was for seawall lots to macro-rate housing, and we will pursue this vigorously. The neighborhood is not supportive of what your plans are, the Mayor's plans, etc. and we feel that a lot of this was done behind closed doors and we're just now finding out about it. So, I want to put that on record.

I support your process you have to do it, Monique and whatever, but I think you're going to find, one thing is that there are 30,000 properties unoccupied in San Francisco, that are vacant right now, which the United States Census pointed out in 2010. This talk about no housing and whatever is a fabrication, I believe, if you really look at the facts. I'm not guessing with this, but when you find this out, you're going to say, how come these houses which have nobody living in them are not utilized for housing? We're not talking about 3,000 or 4,000, we're talking about 30,000 properties that are not being utilized today in San Francisco, and that's the public record. Thank you for hearing me out.

Monique Moyer - On new business, I apologize for being out of the room. We have a little emergency. I just wanted to assure you that the long list of new business we've been getting for the last two months is underway, and we will be getting back to you on all that. The only item of new business I had prior to needing to leave the room was to bring the draft RFP criteria back here before it becomes public on the seawall lot 322-1.

Commissioner Katz - And to come up with a plan for periodically updating the commission.

Monique Moyer - Excellent, thank you.

Commissioner Woo Ho – And triggers along the way, so we know exactly what's going to trigger the update.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 14-16 was adopted.

12. NEW BUSINESS

13. ADJOURNMENT

Adjourn the meeting in memory of Mr. James Lange, Host of The Dating Game and local host of KSFO and KABL Radio

ACTION: Commissioner Brandon made a motion to adjourn the meeting in memory of Mr. James Lange, Host of The Dating Game and local host of KSFO and KABL Radio; Commissioner Murphy seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 5:40 p.m.

SAN FRANCISCO PORT COMMISSION

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Willie Adams, Vice President
Kimberly Brandon, Commissioner
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AGENDA TUESDAY, MARCH 25, 2014 2:00 P.M. CLOSED SESSION 3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – March 11, 2014
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT
DOCUMENTS DEPT

MAR 21 20:4

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A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- (a) Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois Street
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

***Negotiating Parties:** Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

Under Negotiations: ___ Price ___ Terms of Payment ☒ Both
Pursuant to Resolution No. 12-18, the Port Commission awarded Orton Development, Inc. an exclusive negotiation agreement for the potential lease, disposition, and development of the Property. In this executive session, the Port's negotiator seeks direction from the Port Commission on factors affecting the price and terms of payment, including rent structure, financing mechanisms and other factors affecting the form, manner and timing of payment of the consideration for the property interests. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the

Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

A. Executive Director's Report

- San Francisco Giants Parking Lot A Special Event
- Launch of San Francisco Water Taxi, point-to-point service
- Cancellation of April 8, 2014 Port Commission meeting
- Celebrating the Exploratorium's 1 million visitors and (almost) first year anniversary – April 17, 2014

B. Commissioners' Report

- California Association of Port Authorities' Resolution on the California Lesbian, Gay, Bisexual and Transgender Ports Diversity Group, adopted on October 4, 2013

10. CONSENT

- ### **A.**
- Request authorization to accept and expend \$97,578.41 in Coastal Impact Assistance Program funds from the U.S. Fish and Wildlife Service, via the California Resources Agency for repairs to Pier 31 North Apron. (Resolution No. 14-17)

11. FINANCE AND ADMINISTRATION

- ### **A.**
- Request approval of (1) the form of the Preliminary Official Statement relating to the Bonds and authorizing its distribution to potential investors; and (2) the form of the Continuing Disclosure Certificate related to the Revenue Bonds. (Resolution No. 14-18)

12. MARITIME

- ### **A.**
- Request approval of Lease Number L-15786 with California Sealift Terminals, Inc., a California corporation, for vessel berthing at Pier 50 and Pier 96 for a one-year term, with nine one-year extension options, and one six-month extension option with an annual rent of approximately \$323,025. (Resolution No. 14-19)

13. PLANNING AND DEVELOPMENT

- ### **A.**
- Informational presentation on Pilot Transportation Improvement Projects identified as part of a Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency.

- B. Request approval to amend contract with AECOM for additional services and added fee to: a) expand Task 2 - Schematic Design and Prepare a Revised Project Cost Estimate, from the \$238,672 previously approved to an amount not to exceed \$803,266; b) proceed with Task 3 - Detail Design, Construction Drawings/ Bid documents and prepare revised Cost Project Estimates for a fee of \$856,074; c) Task 4 - Construction Administration tasks for a fee not to exceed \$216,791; d) augment the contract contingency amount by an additional \$187,613 for a total contract amount not to exceed \$2,609,396 (including the already completed Task 1); and e) extend the duration of the contract from December 31, 2014 to December 31, 2017. (Resolution No. 14-20)
- C. Informational presentation regarding Forest City Development California, Inc.'s Waterfront Parks Concept Design for the Pier 70 Waterfront Site.
- D. Request approval of a Revocable License Agreement for Special Events with Forest City Development California, Inc. for approximately 97,202 square feet of unimproved shed space located at Buildings 12/15/16 and 32 and approximately 170,305 square feet of paved land at the Pier 70 Waterfront Site. (This proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31.) (Resolution No. 14-21)

14. NEW BUSINESS

15. ADJOURNMENT

COMMUNICATIONS TO PORT COMMISSION
From March 7-20, 2014

- From Neighborhood Groups (Barbary Coast Neighborhood Association, Friends of Golden Gateway, SoTel Neighbors, Waterfront Committee Telegraph Hill Dwellers) letter regarding Seawall Lot 322-1 proposed MOU
- From Neighborhood Groups (Barbary Coast Neighborhood Association, SoTel Neighbors, Waterfront Committee Telegraph Hill Dwellers) regarding affordable housing project proposed at Seawall Lot 322-1
- From Association of Pacific Ports, invitation to Fly-In, Fly-Out Seminar on "Fair Labor & Trade: Ensuring the Needs of Port Business, Workers, and the Community" on Friday, May 2, 2014 in San Diego, CA

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

APRIL 22, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Update on the Orton Development Inc.'s proposed project for the lease and rehabilitation of the 20 th Street Historic Buildings on or near 20 th and Illinois Streets at Pier 70
2	Portwide	Action	Accept the Port's Report on Contracting Activity for the first two quarters of FY 2013-14 (July 1, 2013 through Dec 31, 2013)
3	Pier 33 North	Action	Approval for a limited Request for Proposals for a retail space located at Pier 33 North (aka 33½) on The Embarcadero at the foot of Bay Street which would be issued on a target basis to those small businesses currently working with San Francisco community-based organizations as a competition
4	1399 Marin Street	Action	Approval of Memorandum of Understanding between the Port of San Francisco and the San Francisco Municipal Transportation Authority for property located at 1399 Marin Street
5	Pier 94, SWL 352	Action	Approval of a five (5) year option to the existing term of Lease No. L-14705 with Recology San Francisco (formerly Sustainable Crushing Ventures, LLC) for a five (5) year term effective August 1, 2014 through July 31, 2019, for certain real property located at Pier 94, Seawall Lot 352
6	Quint Street	Action	Approval of the Use of Track Agreement with Union Pacific Railroad ("UP") granting Port the right to use the Quint Street Lead track jointly owned by UP and BNSF Railway for the purpose of reconstructing the track with grant funds provided to the Port by the Federal Railroad Administration
7	19 th Street and Crane Cove Park	Action	Authorization to apply for, accept, and expend a \$1,000,000 grant for Pedestrian and Bicycle improvements associated with a new 19 th street extension and Crane Cove Park projects. The grant is being awarded through a cooperative agreement of the Metropolitan Transportation Commission (MTC) and California Coastal Conservancy, through the Priority Conservation Area program

MAY 13, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Embarcadero	Informational	Presentation by the San Francisco Municipal Transportation Agency regarding the Embarcadero Enhancement (Bike) Planning Project
2	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
3	Pier 27	Action	Resolution authorizing acceptance of an art gift of a James R. Herman tribute, that would be installed in the James R. Herman Cruise Terminal at Pier 27, and authorizing the Executive Director to enter into a Memorandum of Understanding regarding the terms of the acceptance
4	Pier 70	Action	Approval of a lease and development agreement with Orton Development, Inc. for the 20th Street Historic Buildings at Pier 70
5	SWL 337	Action	Approval of a Special Event in excess of 90-days, for Port property at Seawall Lot 337 and Pier 48 bounded by Terry Francois Blvd., Third Street, Mission Rock Street, and San Francisco Bay, pursuant to Lease No. L-14980 between the Port and China Basin Ballpark Company, LLC
6	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC

MAY 27, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation regarding the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates
2	Cesar Chavez St., Islais St. & Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects

JUNE 10, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
2	Portwide	Action	Approval of the Fiscal Year 2014-15 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Event and Filming Rates

JULY 8, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs

AUGUST 12, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
2	3rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project

SEPTEMBER 9, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
3	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
4	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
5	Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
6	Daggett Street	Action	Approval of Memorandum of Understanding between the Port and the City's Real Estate Department authorizing the jurisdictional transfer of the Daggett Street Right-of-Way from the Port to the City for a transfer fee of \$1.6 Million

APRIL/MAY 2014
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Apr. 8 CANCELLED	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Apr. 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
May13	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
May 27	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

CEQA Appeal Rights under Chapter 31 of the San Francisco Administrative Code:

If the Commission approves an action identified by an exemption or negative declaration as the Approval Action (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13), then the CEQA decision prepared in support of that Approval Action is thereafter subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action. For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184. If the Department's Environmental Review Officer has deemed a project to be exempt from further environmental review, an exemption determination has been prepared and can be obtained on-line at <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.



MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer
Executive Director *M Moyer*

SUBJECT: Request authorization to accept and expend \$97,578.41 in Coastal Impact Assistance Program funds from the U.S. Fish and Wildlife Service, via the California Resources Agency for repairs to Pier 31 North Apron

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

In 2013, Port of San Francisco staff requested funding from the U.S. Fish and Wildlife Service, via the California Resources Agency Coastal Impact Assistance Program (Coastal Program) to make repairs to North Apron of Pier 31. The California State Resources Agency administrator has approved a grant of \$97,578.41 to the Port. Staff is seeking authorization to accept the funds.

Background

Pier 31 is an historic pier included in the Embarcadero National Register Historic District. Currently most of the Pier 31 space facility is closed to occupancy due to deterioration of the roof and associated water damage that has weakened the structural supports of the pier. In addition, the pier apron is in a state of disrepair, and does not provide necessary fire exiting for the facility. The Port is undertaking a project ("Pier 31 Roof and Building Repairs") to return the pier to a light industrial use. The project entails repairs to the structural support system for the shed building, a new roof, and construction of a new surface decking along the Pier 31 North Apron to provide fire exiting and a walkable area around the pier's perimeter. Pier 31 North Apron is a pile-supported concrete platform, overlaid by obsolete freight rail tracks and wooden timbers treated with creosote, a wood preservative. Creosote has been found to be a major hazardous substance which damages the marine ecosystem and contaminates Bay water quality. The Port has been

THIS PRINT COVERS CALENDAR ITEM NO. 10A

water quality. The Port has been implementing an ongoing program to remove as many of these creosote piles as possible, and replace them with new piles made of fiberglass, concrete, metal or other inert materials.

The Pier 31 North Apron Repair component of the project will demolish and remove the existing tracks and timber decking, and replaced them with a new deck of non-creosote treated wooden timber construction. The new decking will be supported by the existing concrete support system. There is no new pile driving or in-water construction work included in this project. The overall construction project will be conducted in phases, staged either from inside the pier shed (which has multiple large roll-up cargo doors to the outside), or from a floating barge alongside the pier. On Feb 25, 2014, the Port Commission approved a budget of \$6,000,000 for the project in its capital budget for FY 2014-15 and FY 2015-16. The estimated cost of the repairs to the North Apron is \$325,000 to \$430,000. The Coastal Program grant funds discussed herein will augment Port funds approved for the project, and be applied to North Apron repair costs.

North Apron Repair Funding Overview

The U.S. Fish and Wildlife Service's Coastal Impact Assistance Program (Coastal Program) provides grant funding for projects for environmental protection, conservation, improvement or mitigation of coastal areas including wetlands. Coastal Program funds are distributed through each state. In California, the California State Resources Agency (Resources Agency) allocates the funding to the state's counties, including the County of San Francisco.

In 2008, the Port was invited to submit an initial application for San Francisco's share of Coastal Program grant funds. The Port proposed Coastal Program funding for much needed pile-supported pier repairs and maintenance projects on Port facilities that meet the grant eligibility. The repair and replacement of aging wooden piles, often treated with toxic creosote, improves Bay water quality as well as reduces navigational safety hazards that can occur when deteriorated piles, fenders and other structural elements dislodge from piers and are released to the Bay.

On December 30, 2013, Port staff submitted a grant request of \$77,815 for San Francisco's share of Coastal Program funds, which has since been amended to reflect the amount available to the County of San Francisco of \$97,578.41. The funds would be applied towards the repair of the North Apron at Pier 31. On January 24, 2014, the California State Resources Agency awarded the San Francisco County funds to the Port.

The estimated cost of the Pier 31 North Apron repair is \$350,000 to \$430, 000. The Coastal Program does not impose any cost sharing or matching funds requirements on the Port. Funds must be expended by December 2016. The Coastal Program funds will pay for a portion of the Pier 31 North Apron repairs being designed as part of the Pier 31 Roof and Building Repair Project. The Project includes repairs to the pier shed superstructure and to the apron which surrounds the pier shed on three sides. Consistent with Port practice for repair projects in the Embarcadero National Register Historic District, the repair of Pier 31 (including the pier's North Apron) will be consistent with Secretary of the

Interior Historic Preservation Standards, as well as with applicable environmental protection and Code regulations.

The Pier 31 Roof and Building Repair Project is estimated for completion by the end of 2016.

Requested Port Commission Action

Port staff seeks Port Commission authorization for the Executive Director to accept and expend \$97,578.41 in Coastal Impact Assistance Program funds from the U.S. Fish and Wildlife Service and California State Resources Agency to repair the Pier 31 North Apron.

Prepared by: Diane Oshima
Assistant Deputy Director, Waterfront Planning

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14-17**

- WHEREAS, the U.S. Fish and Wildlife Service's Coastal Impact Assistance Program (Coastal Program) provides grant funding for projects to improve the environmental protection, conservation, improvement or mitigation of coastal areas, including wetlands; and
- WHEREAS, the Coastal Program funds are distributed through each state where, in California, the California State Resources Agency allocates the funding to the state's counties, including the County of San Francisco; and
- WHEREAS, in 2008, the Port of San Francisco was invited to submit an initial application for San Francisco County's share of Coastal Program grant funds; and
- WHEREAS, the Port proposed Coastal Program funding of pile-supported pier repair and maintenance projects on Port of San Francisco facilities which were determined to qualify for funding; and
- WHEREAS, on December 30, 2013, the Port of San Francisco submitted grant request for an initial amount of \$77,815, which has since been amended to reflect the amount available to the County of San Francisco of \$97,578.41; and
- WHEREAS, the Pier 31 apron repair is part of a larger project known as the Pier 31 Repair Project which is designed to return Pier 31 to light industrial use and which is included in the Port's FY2014-15 and FY 2015-16 Capital Budget approved by the Port Commission and submitted to Mayor Ed Lee for review and inclusion in his budget; and
- WHEREAS, the \$97,578.41 in Coastal Program grant funds represents a portion of the amount needed to fully fund the Pier 31 North Apron repair with the remainder of funding included in the Port's FY2014-15 and FY 2015-16 Capital Budget; now, therefore, be it
- RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept and expend the grant; and be it further
- RESOLVED, that the Port Commission hereby authorizes the Executive Director or her designee to execute for and on behalf of the City and County of San Francisco, any additional documents necessary to enter into the grant agreement with the U.S. Fish and Wildlife Service and California State Resources Agency, including any extensions, augmentations or amendments thereof.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 25, 2014.

Secretary



MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *mmoye*
Executive Director

SUBJECT: Request approval of (1) the form of the Preliminary Official Statement relating to the Bonds and authorizing its distribution to potential investors; and (2) the form of the Continuing Disclosure Certificate related to the Revenue Bonds

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The Port Commission approved resolution no. 13-53 at the December 10, 2013 meeting authorizing the issuance of up to \$30,000,000 of Series 2014 Port Revenue Bonds (Revenue Bonds). The Preliminary Official Statement (POS) and form of the Continuing Disclosure Certificate is now submitted in substantial final form to the Port Commission for approval. These documents are required to be approved by the Port Commission since they serve as disclosure documents for potential investment and commitments by the Port to potential investors regarding ongoing disclosure.

BACKGROUND

As part of the Port Commission's debt program, which is intended to make larger investments in key business lines and facilities, the Port Commission approved 2014 Port Revenue Bonds to provide financing for the Port's mission critical James R. Herman Cruise Terminal and to address deferred capital needs in historic piers to support leasing activity.

THIS PRINT COVERS CALENDAR ITEM NO. 11A

The anticipated expenditures for the 2014 Port Revenue Bonds are as follows:

Table 1 – Project Descriptions

Project Description	2014 Bond Allocation
Phase II of the James R. Herman Cruise Terminal – Project consists of finishing the remaining portions of the cruise terminal building, including the U.S. Customs and Border Protection facilities, building out the Northeast Wharf Plaza and pier point, the ground transportation area, apron and substructure repairs, installation of maritime equipment such as the mobile gangway system, fenders and bollards, electrical upgrades, and provision of miscellaneous furniture and equipment. The sources for the total Phase II project cost of \$47.7 million include proceeds of the 2014 Port Revenue Bonds, General Obligation Bond proceeds for the park improvements and a FEMA grant for security improvements.	\$19,532,000
Northern Waterfront Historic Pier Structures Repair Project – Pier 29½ and Pier 31. Project consists of structural repairs to the superstructure (columns, beams, truss members, and roof decking), exterior apron deck reconstruction, window repairs, provide and repair doors to the apron for egress and safety ladders for roof access, removal and replacement of roofing and miscellaneous sheet metal caps and flashing, and provide plumbing and electrical infrastructure needed for restrooms, lighting and potential tenant needs. The sources for the total project cost of \$6 million include proceeds of the 2014 Port Revenue Bonds and reallocated proceeds of the 2010 Port Revenue Bonds.	917,000
Northern Waterfront Historic Pier Structures Repair Project – Pier Improvements. Project consists of capital improvements to support leasing activities, which may include substructure work for Pier 29 and/or historic window rehabilitation. The project is intended to provide funding for capital improvements to upgrade and release vacant facilities. The sole source of funds for this project consists of proceeds of the 2014 Port Revenue Bonds.	1,026,000
Project total	\$21,475,000
Bond Issuance Costs	766,200
Debt Service Reserve Fund	1,708,800
Total 2014 Anticipated Revenue Bond Uses	\$ 23,950,000
Additional Authorization Pending Sale	6,050,000
Total	\$30,000,000

While Port staff currently expects to issue \$24 million in principal amount of 2014 Port Revenue Bonds, the Port Commission has authorized the issuance of Port revenue bonds in an amount up to \$30 million. The additional authorization provides staff sufficient flexibility to address any changes in interest rates, market conditions, and bond payment structuring between now and the date when the 2014 Port Revenue Bonds are sold. Staff anticipates sale of the Port's 2014 Port Revenue Bonds in April 2014. A portion of the 2014 Port Revenue Bond proceeds designated for project costs may be used to refinance commercial paper previously issued by the City to commence Phase II

James R. Herman Cruise Terminal following completion of the 34th America's Cup events.

Financial Impacts

As explained in detail in the December 6, 2013 staff memorandum requesting approval of the Series 2014 Revenue Bonds, the issuance of the 2014 Bonds would add approximately \$1.71 million in annual debt service to the Port's annual operating expenses, increasing the overall debt payment obligation to \$7.3 million from \$5.6 million through 2023 with lower annual payments thereafter. This is within the Port's estimated bonding capacity, with estimated minimum debt service coverage of approximately 4.70 times debt service on the Port's revenue bonds and 2.77 times debt service on the Port's Revenue Bonds and the City's COPs over the forecast period. An increase in interest rates (yields on the Bonds) at the time of sale would result in increased debt service obligation which would result in lower debt service coverage.

Overview of Bond Documents

The Port's Disclosure Counsel, Hawkins Delafield & Wood, LLP assisted in the preparation of the Preliminary Official Statement and the Continuing Disclosure Certificate. In addition, all financing documents have been reviewed by bond counsel, Jones Hall, co-bond counsel, Schiff Hardin LLP, the Office of the City Attorney and the financing team, which includes Port staff, PFM and Backstrom McCarley Berry as co-financial advisors, Siebert Brandford Shank & Co., L.L.C. as senior managing underwriter and Stifel Nicolaus as co-managing underwriter, have had an opportunity to review the Preliminary Official Statement and ask questions of staff and make comments to the document.

Preliminary Official Statement – The Preliminary Official Statement is the document that is distributed to potential investors to solicit their interest in purchasing the Series 2014 Bonds. It provides information concerning the bond issue and operational and financial information on the Port. As required by the Securities and Exchange Commission (SEC), the document must be accurate in all material respects, and may not have any misleading misstatements or omissions. To assure accuracy of this document, all bodies approving the form of Preliminary Official Statement should carefully review it prior to authorizing its distribution to potential investors. Subsequent to sale of the Series 2014 Bonds in the bond market, the bond interest rates and sales price information will be inserted. After the pricing information is inserted, the preliminary designation will be deleted from the document caption and the document will be identified as the Official Statement which will be distributed to all purchasers of the Series 2014 Bonds upon closing of the transaction.

Continuing Disclosure Certificate – The continuing disclosure certificate is an agreement between the Port and U.S. Bank serving as Dissemination Agent, under which the Port agrees to provide certain financial and operating data, including the Port's financial statements, on an annual basis and to provide notices of certain specified events to the marketplace for the life of the Series 2014 Bonds.

NEXT STEPS

Port staff is steadily making progress towards issuance of the 2014 Revenue Bonds in April 2014. There are several major tasks yet to be completed:

- A. Rating Agency Review
- Port staff will meet with the Rating Agencies (Moody's Investors Services, Standard & Poor's Corporation and Fitch Ratings) in April 2014 and present the Port's financial picture. Additional credit tasks include:
- Provide any follow-up information, as requested
 - Receive ratings from the three Rating Agencies
 - Evaluate rating impact on financing

The Rating Agencies will present the Port's financing to their respective credit committees. Upon issuance of the rating, the Rating Agencies will publish a summary of the ratings. Additionally, each Rating Agency will periodically review the Port's credit status as long as the bonds are outstanding.

- B. Bond Sale/Pricing
- The underwriters will pre-market the Port's bonds to the investment community.
 - Port staff, together with our Financial Advisors, will negotiate interest rates and prices for purchase of the bonds by the Underwriters.

- C. Closing
- The financing team will execute all documents necessary to close the transaction. This will include the preparation of a final Official Statement.
 - The Port will deliver the bonds to the Underwriters on the closing date in return for the purchase price ("proceeds"). The proceeds will be deposited into the Port's accounts established for the 2014 Bonds.

Financing Schedule (Subject to Change)

December 2013	Port Commission Meeting approval of resolution authorizing bond issuance and certain bond documents as well as selection of the bond underwriters
March 25, 2014	Port Commission Meeting to approve Preliminary Official Statement and Continuing Disclosure Certificate
March 31, 2014	Capital Planning Committee Approval of the 2014 Revenue Bonds
April 2 & 8, 2014	Rating Agency Meetings
April 2014	Board of Supervisors Approval of the 2014 Revenue Bonds
April 2014	Receive Ratings and Post Preliminary Official Statement
May 2014	Sale and Closing

RECOMMENDATION

Port staff recommend Port Commission adopt the attached resolution approving the Preliminary Official Statement and Continuing Disclosure Certificate in substantially final forms and authorize the distribution of the Official Statement.

Prepared by: Elaine Forbes, Deputy Director
Finance and Administration

Attachments:

1. Draft Preliminary Official Statement
2. Draft Continuing Disclosure Certificate

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-18

- WHEREAS, The Port Commission of the City and County of San Francisco (the "Port Commission") desires to finance certain Phase II capital improvements to Pier 27 and certain structural capital improvements to Piers 19, 23, 29, 29½ and 31 (the "Project") and certain other Port projects; and
- WHEREAS, Pursuant to the Charter of the City and County of San Francisco (the "City") and Section 43, Article XII of the San Francisco Administrative Code (the "Port Bond Ordinance"), the Port Commission may issue revenue bonds with the approval of the Board of Supervisors of the City (the "Board"); and
- WHEREAS, The Port Commission adopted Resolution No. 13-53 on December 12, 2013, authorizing the issuance, sale and delivery of revenue bonds in an amount not to exceed \$30,000,000 (the "Bonds") and the selection of Underwriters, and approving the form of and authorizing the execution and delivery of the Second Supplement to Indenture of Trust, the Bond Purchase Contract and certain other related documents; and
- WHEREAS, In connection with the issuance, sale and delivery of the Bonds, the Port Commission desires to approve a Preliminary Official Statement and authorize the execution of a final Official Statement and Continuing Disclosure Certificate; and, now, therefore, be it
- RESOLVED, The Port Commission hereby acknowledges and approves the following:

Section 1. Recitals. All of the recitals herein are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the execution and delivery of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the Port is authorized pursuant to the Charter and the Port Bond Ordinance to incur indebtedness in the manner and form provided in this Resolution, subject, however, to approval by the Board of a resolution authorizing the issuance and delivery of the Bonds.

Section 3. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Bonds (the "Official Statement"), as presented to this Port Commission, a copy of which is on file in preliminary form with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to approve the distribution of the Preliminary Official Statement in substantially said form, with such changes, additions, modifications or deletions as the

Executive Director may approve; such approval to be conclusively evidenced by the Executive Director's direction to distribute the Preliminary Official Statement to potential purchasers of the Bonds. The Executive Director is hereby authorized to cause the distribution of the Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Executive Director is hereby further authorized and directed to sign the Official Statement in final form.

Section 4. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate of the City, as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate by the Executive Director.

Section 5. General Authority. The Executive Director, the Secretary of the Port Commission and other officers of the Port, the City Attorney and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to approve the Preliminary Official Statement and execute the final Official Statement and the Continuing Disclosure Certificate and otherwise to carry out the provisions of this Resolution.

Section 6. Ratification of Prior Actions. All actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Port Commission.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 25, 2014.

Secretary

ATTACHMENT 1
PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

New Issue – Book-Entry Only

Ratings: Moody's: " " " "
S&P: " " " "
Fitch: " " " "
(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, and Schiff Hardin LLP, Co-Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes, except during any period while a Series 2014A Bond is held by a "substantial user" of the facilities financed by the Series 2014A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. The interest on the Series 2014B Bonds is not intended by the Port Commission to be excluded from gross income for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the Series 2014 Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

**PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO**

[\$21,000,000]"
REVENUE BONDS
SERIES 2014A
(AMT TAX-EXEMPT)

[\$2,000,000]"
REVENUE BONDS
SERIES 2014B
(FEDERALLY TAXABLE)

Dated: Date of Delivery

Due: March 1, as shown below

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A (AMT Tax-Exempt) (the "Series 2014A Bonds") and Series 2014B (Federally Taxable) (the "Series 2014B Bonds," and together with the Series 2014A Bonds, the "Series 2014 Bonds"), are being issued by the Port Commission of the City and County of San Francisco (the "Port Commission") pursuant to the Charter of the City and County of San Francisco (the "City") and an Indenture of Trust dated as of February 1, 2010 (the "Master Indenture") between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by the First Supplement to Indenture of Trust dated as of February 1, 2010 (the "First Supplemental Indenture") between the Port Commission and the Trustee, and the Second Supplement to Indenture of Trust dated as of March 1, 2014 (the "Second Supplemental Indenture") and, together with the Master Indenture and the First Supplemental Indenture, the "Indenture") between the Port Commission and the Trustee. The Series 2014 Bonds are being sold to provide funds to: (i) finance or refinance the planning, acquisition, design, construction, reconstruction, rehabilitation or improvements to various facilities of the Port of San Francisco (the "Port"), as described herein; (ii) refinance certain outstanding commercial paper of the City issued to finance certain Port projects and related commercial paper costs; (iii) fund the Reserve Accounts for the Series 2014 Bonds; and (iv) pay costs associated with the issuance of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE SERIES 2014 PROJECTS."

Interest on the Series 2014 Bonds will be payable on March 1 and September 1 of each year commencing September 1, 2014 (each, an "Interest Payment Date"), until their respective stated maturity dates. The Trustee will pay interest to the person in whose name each Series 2014 Bond is registered in the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day. The Series 2014 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal of and interest on the Series 2014 Bonds will be made. Individual purchases of the Series 2014 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2014 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2014 Bonds at maturity, as shown in the Maturity Schedule set forth on the inside cover, and interest when due will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2014 Bonds. See Appendix E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2014A Bonds are subject to optional and mandatory redemption prior to maturity as described herein. [The Series 2014B Bonds are not subject to redemption prior to maturity.] See "TERMS OF THE SERIES 2014 BONDS – Redemption Provisions."

The Series 2014 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS." The Series 2014 Bonds are not a debt or obligation of the City, the State of California (the "State") or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2014 Bonds. No Holder of a Series 2014 Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2014 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2014 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue). See "CERTAIN RISK FACTORS."

MATURITY SCHEDULE

(See inside cover)

The Series 2014 Bonds are offered when, as, and if issued by the Port Commission and accepted by the Underwriters, subject to approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, and Schiff Hardin LLP, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Port Commission by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel, and the City Attorney of the City and County of San Francisco, and for the Underwriters by their counsel, Curls Bartling P.C., Oakland, California. It is expected that the Series 2014 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about _____, 2014.

Siebert Brandford Shank & Co., L.L.C.

Stifel

The date of this Official Statement is _____, 2014.

MATURITY SCHEDULE

Series 2014A Bonds
(AMT Tax-Exempt)
(Base CUSIP[†] Number: 797679)
\$_____ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price / Yield	CUSIP[†] Suffix
-------------------------------	-----------------------------	--------------------------	----------------------	---------------------------------

\$_____ % Term Bond Due March 1, 20__ Yield – _____ % Price – _____ CUSIP: 797679 _____

Series 2014B Bonds
(Federally Taxable)
(Base CUSIP[†] Number: 797679)
\$_____ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price / Yield	CUSIP[†] Suffix
-------------------------------	-----------------------------	--------------------------	----------------------	---------------------------------

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from the Port Commission, the City and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port Commission or the City since the date hereof.

The City and the Port each maintain a website and issue from time to time a variety of reports and other information. The information presented on such websites and otherwise issued is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2014 Bonds. Various other websites, reports and other information referred to in this Official Statement also are not incorporated herein by such references.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information provided herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2014 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

Port of San Francisco

[Map to come]

* The Series 2014 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue).

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

Leslie Katz, *President*
Willie Adams, *Vice President*
Kimberly K. Brandon, *Commissioner*
Mel Murphy, *Commissioner*
Doreen Woo Ho, *Commissioner*

Monique Moyer, *Executive Director*

THE CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President, District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Katy Tang, *District 4*
London Breed, *District 5*
Jane Kim, *District 6*

Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*

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San Francisco, California

Schiff Hardin LLP,
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP,
San Francisco, California

Co-Financial Advisors

Public Financial Management, Inc.,
San Francisco, California

Backstrom McCarley Berry & Co. LLC,
San Francisco, California

Trustee

U.S. Bank National Association,
San Francisco, California

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OFFICIAL STATEMENT

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

\$[21,000,000]*
REVENUE BONDS
SERIES 2014A
(AMT TAX-EXEMPT)

\$[2,000,000]*
REVENUE BONDS
SERIES 2014B
(FEDERALLY TAXABLE)

INTRODUCTION

This Official Statement is furnished in connection with the offering of \$[21,000,000]* aggregate principal amount of the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A (AMT Tax-Exempt) (the "Series 2014A Bonds"), and \$[2,000,000]* aggregate principal amount of the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds").

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below).

The Port of San Francisco

The Port of San Francisco (the "Port") consists of seven and one half miles of waterfront adjacent to San Francisco Bay from Hyde Street Pier in the north to India Basin in the south located in the City and County of San Francisco (the "City"). In 1969, the State of California (the "State") transferred the Port to the City to be held in trust for the people of the State. The Port is governed by the five-member Port Commission of the City and County of San Francisco (the "Port Commission") and is managed as a self-supporting enterprise department of the City. The term "Port Commission" is sometimes used in this Official Statement to refer to the Port as a legal entity and the term "Port" is sometimes used to refer to the enterprise governed by the Port Commission and its operations or to the Port Area (defined below) and the land and facilities therein; however, in each case the meaning of such terms depends upon the context in which used. The term "Port Area" is defined under the Indenture as all real and personal property owned, controlled or operated by the Port Commission, or over which the Port Commission has management, supervision or control, or is deemed by the Port Commission to be a benefit to the Port Area. See "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement" and Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION."

The Port's waterfront property comprises a natural harbor with channel and berth depths of up to 40 feet that can accommodate larger ships. The Port's revenue is derived primarily from leases of Port property to commercial, industrial and maritime enterprises and from maritime operations, including cargo, ship repair, fishing, harbor services, cruise and other maritime activities. The Port is different from most municipal seaport enterprises in that only a minority of its revenues (approximately 25%) is derived from maritime operations and a majority of its revenue (approximately 75%) is derived from real estate operations. **The Port Commission has no taxing power.** The Port's financial operations are included as a part of the City's budget and financial reporting but is separately accounted for as a City enterprise operation. Additional information concerning the Port's organization and finances is set forth herein under "THE PORT OF SAN FRANCISCO," "PORT FINANCIAL OPERATIONS" and in Appendix C – "THE PORT COMMISSION OF THE CITY

AND COUNTY OF SAN FRANCISCO – FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Authority for Issuance

The Series 2014 Bonds are being issued pursuant to Section 9.107 of the Charter of the City (the "Charter"), Chapter 43, Article XII ("Article XII") of the City and County of San Francisco Administrative Code (the "Administrative Code") and an Indenture of Trust, dated as of February 1, 2010 (the "Master Indenture"), between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust dated as of February 1, 2010 between the Port Commission and the Trustee (the "First Supplemental Indenture") and the Second Supplement to Indenture of Trust dated as of March 1, 2014 (the "Second Supplemental Indenture" and, together with the Master Indenture and the First Supplemental Indenture, the "Indenture"), and resolutions of the Port Commission adopted on December 12, 2013 and _____, 2014. The Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") approved the issuance of the Series 2014 Bonds by resolution adopted on _____, 2014.

Purpose

The Series 2014 Bonds are being sold to provide funds to: (i) finance or refinance the planning, acquisition, design, construction, reconstruction, rehabilitation or improvements to various facilities of the Port as described herein (see "THE SERIES 2014 PROJECTS"); (ii) refinance certain outstanding commercial paper of the City issued to finance certain Port projects and related commercial paper costs; (iii) fund the Reserve Accounts for the Series 2014 Bonds; and (iv) pay costs associated with the issuance of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE SERIES 2014 PROJECTS."

Security and Sources of Payment for the Series 2014 Bonds

The Series 2014 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. **The Series 2014 Bonds are not a debt or obligation of the City, the State or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue).** Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2014 Bonds. No Holder of a Series 2014 Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2014 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2014 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue).

The Series 2014 Bonds are issued and secured pursuant to the terms of the Indenture. Under the Indenture, the Port Commission covenants that it will manage its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each Fiscal Year will be at least equal to 130% of Annual Debt Service with respect to the Bonds (as defined below) for such Fiscal Year. In determining Net Revenue pursuant to the provisions of the Indenture described in this paragraph, the Port Commission may take into account as a credit the amount on deposit in one or more funds of the Port Commission holding amounts designated by the Port Commission to be generally available to pay debt service on the Bonds and/or Operation and Maintenance Expenses (the "Revenue Stabilization Fund") on June 30 of each Fiscal Year; provided that the Port Commission shall maintain Coverage equal to at least 100% of Annual Debt Service without regard to any credit for any such amounts or deposits in the Revenue Stabilization Fund. The Port Commission has also covenanted in the Indenture to take certain specified actions in the event that Net Revenue falls below the required levels. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Covenant to Maintain Net Revenue."

Upon the issuance of the Series 2014 Bonds, the Port Commission will deposit \$_____ into the following accounts in the Reserve Fund established under the Master Indenture: (i) the Series 2014A Reserve Account relating to the Series 2014A Bonds in the amount of \$_____, and (ii) the Series 2014B Reserve Account relating to the Series 2014B Bonds in the amount of \$_____. Moneys on deposit in the Series 2014A Reserve Account will be used and withdrawn for the purpose of paying principal of and interest on the Series 2014A Bonds in the event Net Revenue deposited with the Trustee is insufficient therefor. Moneys on deposit in the Series 2014B Reserve Account will be used and withdrawn for the purpose of paying principal of and interest on the Series 2014B Bonds in the event Net Revenue deposited with the Trustee is insufficient therefor. Amounts on deposit in the Series 2014A Reserve Account may not be used to pay debt service with respect to the Series 2014B Bonds, and amounts on deposit in the Series 2014B Reserve Account may not be used to pay debt service with respect to the Series 2014A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Reserve Fund" and Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – THE MASTER INDENTURE – Funds – Reserve Fund" and "– SECOND SUPPLEMENT TO INDENTURE OF TRUST – Reserve Fund."

Pursuant to the Indenture, the Port Commission is permitted to issue additional bonds and to enter into additional obligations secured by Net Revenue on a parity with the payment of principal of and interest on the Series 2014 Bonds, provided that certain conditions are satisfied as described herein. The Indenture also permits the Port Commission to incur subordinate obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

The Port Commission has previously issued \$36.65 million in aggregate principal amount of its Series 2010 Revenue Bonds (the "Series 2010 Bonds"), currently outstanding in the aggregate principal amount of \$34.075 million. The Series 2010 Bonds are payable solely from Net Revenue. Upon issuance of the Series 2014 Bonds, the Series 2014 Bonds will be on a parity with the Series 2010 Bonds. The Port may issue additional bonds payable from Net Revenue on a parity with the Series 2014 Bonds and the Series 2010 Bonds in the future (the Series 2010 Bonds, the Series 2014 Bonds and any additional bonds issued pursuant to the Indenture are collectively referred to as the "Bonds" under the Indenture). The Port Commission also has outstanding the following long-term obligations: (i) a \$3.5 million loan from the California Division of Boating and Waterways (now a division of the California State Parks); (ii) a \$1.14 million loan from the San Francisco Public Utilities Commission (the "SFPUC"); and (iii) payment obligations with respect to an aggregate principal amount of \$37.7 million certificates of participation executed and delivered by the City on behalf of the Port Commission. These obligations are all expressly subordinate to the Series 2014 Bonds and are not secured by any lien on Port revenues or property, except that certain marina revenues are pledged on a limited basis to the loan from the California Division of Boating and Waterways. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

For more information regarding the security and sources of payment for the Series 2014 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS," "THE PORT OF SAN FRANCISCO," "PORT FINANCIAL OPERATIONS," "PORT REAL ESTATE OPERATIONS," "PORT MARITIME OPERATIONS" and "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY" herein. Audited financial information concerning the Port is set forth in Appendix C attached hereto. See "CERTAIN RISK FACTORS" for a discussion of certain risks related to an investment in the Series 2014 Bonds.

Debt Service Coverage

Under the Indenture, the Port Commission covenants that it will manage its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each Fiscal Year will be at least equal to 130% of Annual Debt Service with respect to the Bonds for such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Covenant to Maintain Net Revenue."

Historical Debt Service Coverage. The following table summarizes the historical debt service coverage for the Bonds. See "PORT FINANCIAL OPERATIONS – Historical Debt Service Coverage" for a more detailed discussion of the historical debt service coverage.

PORT OF SAN FRANCISCO
Historic Debt Service Coverage
For Fiscal Years Ended June 30,
(Amounts in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Revenues	\$67,634	\$68,357	\$73,451	\$78,318	\$82,360
Total Operating Expenses	\$54,563	\$56,305	\$55,268	\$60,856	\$63,760
Net Revenue	\$ 13,071	\$12,052	\$18,183	\$17,462	\$18,600
Debt Service on Bonds	\$ 4,407	\$4,396	\$2,843	\$2,845	\$2,846
Bonds Debt Service Coverage (times)	2.97x	2.74x	6.40x	6.14x	6.54x

*Projected Debt Service Coverage.** The following table presents a summary of projected debt service coverage for the Bonds. Projections and assumptions are inherently subject to significant uncertainties and actual results may differ significantly from projected results. See "PORT FINANCIAL OPERATIONS – Projected Debt Service Coverage" for a detailed description of the assumptions used in the projections. See also "CERTAIN RISK FACTORS – Uncertainties of Projections and Assumptions; Forward Looking Statements."

PORT OF SAN FRANCISCO
Projected Debt Service Coverage
For Fiscal Years Ending June 30,
(Amounts in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Revenues	\$83,066	\$87,988	\$92,935	\$97,046	\$99,447
Total Operating Expenses	\$63,881	\$66,599	\$68,949	\$70,950	\$73,266
Net Revenue	\$19,185	\$21,389	\$23,986	\$26,096	\$26,181
Total Bonds Debt Service	\$2,847	\$4,549	\$4,552	\$4,547	\$4,551
Projected Bonds Debt Service Coverage	6.74x	4.70x	5.27x	5.74x	5.75x

Continuing Disclosure and Additional Information

The Port Commission will covenant in a Continuing Disclosure Certificate, to be delivered concurrently with the issuance of the Series 2014 Bonds, to provide certain financial information and operating data relating to the Port Commission and notices of certain events. Such information and notices will be filed by the Port Commission with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. The Port Commission will act as Dissemination Agent under the Continuing Disclosure Certificate. In the last five years, the Port Commission has not failed to comply in all material respects with any previous undertakings with regard to Securities and Exchange Commission Rule 15c2-12(b)(5). For more information concerning the Port Commission's continuing disclosure commitment and the form of the Continuing Disclosure Certificate, see "CONTINUING DISCLOSURE" and Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Brief descriptions of the Series 2014 Bonds, the Indenture, the security and sources of payment for the Series 2014 Bonds, the Net Revenue, the Port Commission and related matters are included in this Official Statement, together with summaries of certain provisions of the Series 2014 Bonds, the Indenture and certain

other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Series 2014 Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the Port Commission. The Port Commission regularly prepares a variety of reports, including audits, budgets and related documents, which may be obtained from the Port Commission. Additional information regarding such reports, the Indenture or other documents relating to the Series 2014 Bonds or this Official Statement may be obtained by contacting the Manager of Communications, Port of San Francisco, Pier 1, San Francisco, CA 94111; Telephone (415) 274-0400, Fax (415) 274-0412 or www.sfport.com. Information found on the website is not incorporated herein by reference. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee.

TERMS OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds will be executed and delivered only as one fully-registered Bond for each maturity shown on the inside cover hereof. The Series 2014 Bonds will be delivered only in denominations of \$5,000 or an integral multiple thereof and interest on the Series 2014 Bonds will be payable on each March 1 and September 1, commencing September 1, 2014, so long as any Series 2014 Bonds are outstanding (each an "Interest Payment Date"). Interest on the Series 2014 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2014 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover of this Official Statement. The principal of the Series 2014 Bonds will be payable, subject to redemption, as described below, on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Form and Registration

The Series 2014 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," together with any successor securities depository, the "Securities Depository"). DTC will act as initial Securities Depository for the Series 2014 Bonds so purchased. Individual purchases will be made in book-entry only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Series 2014 Bonds. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners will mean Cede & Co. as aforesaid, and will not mean the "Beneficial Owners" of the Series 2014 Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a Participant (as defined herein) acquires an interest in the Series 2014 Bonds.

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, all payments of principal, premium (if any) and interest on the Series 2014 Bonds will be payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee of DTC as the sole registered owner of the Series 2014 Bonds. DTC and its Participants are solely responsible for payments to the Beneficial Owners.

In the event the use of the book-entry only system is discontinued, principal of the Series 2014 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Series 2014 Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture. Pursuant to the Indenture, the Record Date with respect to the Series 2014 Bonds is the fifteenth day of the month preceding each Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day.

A more detailed description of the Book-Entry Only System is contained in Appendix E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on or before March 1, 20__ are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing on or after March 1, 20__ are subject to optional redemption prior to maturity at the sole option of the Port Commission, as a whole or in part, on any date on or after March 1, 20__ (from such maturities as are selected by the Port Commission and by lot within a maturity if less than all of the Series 2014A Bonds of such maturity are selected for redemption), from any source of available funds, at redemption prices equal to the principal amount thereof plus accrued but unpaid interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on March 1, 20__ are subject to redemption prior to their stated maturity date in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on March 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date March 1	Sinking Fund Payment
	\$
	*
<hr/>	
* Maturity	

[No Redemption Prior to Maturity of Series 2014B Bonds. The Series 2014B Bonds are not subject to redemption prior to maturity.]

Notice of Redemption. The Trustee is required to send a notice of redemption to the Owners of the Series 2014 Bonds selected for redemption not less than 30 nor more than 60 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2014 Bond to be redeemed, to the Holder of such Series 2014 Bond at his or her address as it appears on the records maintained by the Registrar, and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities (currently the EMMA System of the Municipal Securities Rulemaking Board), as directed by the Port Commission. However, so long as any Series 2014 Bonds are in book-entry form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2014 Bonds, and not directly to the Owners.

If less than all Series 2014 Bonds of a Series are to be redeemed, the Series 2014 Bonds to be redeemed will be identified by reference to the Series designation, date of issue, serial numbers and maturity dates. Each notice of redemption will specify: (i) the date of such notice and the date fixed for redemption, (ii) the principal amount of Series 2014 Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, will be made upon presentation and surrender to the Trustee of the Series 2014 Bonds to be redeemed, (vi) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (vii) that on and after said date interest on the Series 2014 Bonds called for redemption will cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Series 2014 Bonds to be redeemed and, if less than the face amount of any such Series 2014 Bond is to be redeemed, the Principal Amount to be redeemed.

Neither the failure to receive any redemption notice nor any defect in such redemption notice so given will affect the sufficiency of the proceedings for such redemption of the Series 2014 Bonds.

Requirements of Optional Redemption. The Commission will deposit with, or otherwise make available to, the Trustee the moneys required for payment of the redemption price of all Series 2014A Bonds then to be called for redemption at least one Business Day before the date fixed for such redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2014A Bonds then called for redemption, and such cancellation does not constitute an Event of Default under the Indenture.

[Partial Redemption of the Series 2014A Bonds. Whenever provision is made in the Indenture for the redemption of the Series 2014 Bonds (other than from the Sinking Fund Installments) and less than all of the Outstanding Series 2014A Bonds are to be redeemed, the Port Commission will designate the maturity or maturities to be redeemed and specify to the Trustee the principal amount in each maturity to be redeemed. Whenever less than all of the Outstanding Series 2014A Bonds maturing on any one date are called for redemption, the Trustee will select the portions to be redeemed by lot in a manner the Trustee deems fair and appropriate.]

Effect of Notice of Redemption. When a notice of redemption has been duly given as provided in the Indenture and sufficient moneys for the redemption of the Series 2014A Bonds selected for redemption, together with accrued interest to such redemption date are held by the Trustee; then, from and after such redemption date, interest on the Series 2014A Bonds selected for redemption will cease to accrue, and all such Series 2014A Bonds will cease to be entitled to any benefit or security under the Indenture, except for the right of the Owners to receive payment of the redemption price thereof.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Series 2014 Bonds are expected to be applied approximately as set forth below:

	Series 2014A (AMT Tax- Exempt)	Series 2014B (Federally Taxable)	Total
<i>Sources</i>			
Par Amount			
Plus / Less Original Issue Premium / Discount			
<i>Total Sources of Funds</i>			
<i>Uses</i>			
Deposit to Project Costs Fund			
Deposit to Reimbursement Fund ⁽¹⁾			
Deposit to Reserve Account			
Costs of Issuance ⁽²⁾			
Underwriters' Discount			
<i>Total Uses of Funds</i>			

⁽¹⁾ Amounts deposited into the Reimbursement Funds will be applied to the payment of certain commercial paper of the City issued to finance certain capital projects of the Port Commission and related commercial paper costs. See "THE SERIES 2014 PROJECTS" herein.

⁽²⁾ Includes amounts for rating agency fees, fees of Co-Bond Counsel and Disclosure Counsel, fees of the financial advisors, Trustee's fees, and other costs relating to the issuance of the Series 2014 Bonds.

DEBT SERVICE SCHEDULE

Set forth below are the annual principal, interest and total debt service requirements for the Series 2014 Bonds, the Series 2010 Bonds and other subordinate obligations of the Port Commission:

Fiscal Year Ending June 30	Series 2014A Bonds* (AMT Tax-Exempt)		Series 2014B Bonds* (Federally Taxable)		Total Series 2014 Bonds*	Total Parity Bonds	Other Subordinate Obligations ^(b)	Total Debt Service*
	Principal	Interest	Principal	Interest				
2014					\$2,846,711	\$2,846,711	\$3,359,152	\$6,205,863
2015	\$205,000	\$1,238,992	\$200,000	\$61,769	\$1,705,761	\$2,843,360	\$3,178,851	7,727,972
2016	165,000	1,278,875	200,000	61,668	1,705,543	2,843,360	3,178,851	7,627,181
2017	175,000	1,270,625	200,000	58,628	1,704,253	2,842,430	3,075,650	7,574,928
2018	185,000	1,261,875	205,000	54,948	1,708,823	2,844,593	3,028,245	7,517,014
2019	195,000	1,252,625	210,000	50,725	1,708,350	2,846,926	2,965,348	7,520,624
2020	205,000	1,242,875	215,000	44,845	1,707,720	2,845,047	2,962,247	7,515,014
2021	215,000	1,232,625	220,000	37,836	1,705,461	2,844,342	2,966,598	7,516,401
2022	225,000	1,221,875	230,000	30,004	1,706,879	2,845,482	3,362,595	7,914,956
2023	235,000	1,210,625	240,000	21,057	1,706,682	2,846,370	2,965,598	7,518,650
2024	245,000	1,198,875	250,000	11,025	1,704,900	2,841,658	2,225,097	6,771,655
2025	520,000	1,186,625	-	-	1,706,625	2,846,345	2,228,098	6,781,068
2026	545,000	1,160,625	-	-	1,705,625	2,844,381	2,224,097	6,774,103
2027	575,000	1,130,650	-	-	1,705,650	2,844,743	2,223,368	6,773,761
2028	605,000	1,099,025	-	-	1,704,025	2,841,956	2,223,460	6,769,441
2029	640,000	1,065,750	-	-	1,705,750	2,845,649	2,216,176	6,767,575
2030	680,000	1,027,350	-	-	1,707,350	2,844,713	1,994,575	6,546,638
2031	720,000	986,550	-	-	1,706,550	1,853,775	1,992,075	5,552,400
2032	765,000	943,350	-	-	1,708,350	1,851,119	1,991,950	5,551,419
2033	810,000	897,450	-	-	1,707,450	1,850,644	1,993,938	5,552,032
2034	855,000	848,850	-	-	1,703,850	1,852,094	1,992,775	5,548,719
2035	910,000	797,550	-	-	1,707,550	1,855,213	1,991,525	5,554,288
2036	970,000	738,400	-	-	1,708,400	1,854,744	1,994,062	5,553,762
2037	1,030,000	675,350	-	-	1,705,350	1,850,687	1,989,725	5,547,206
2038	1,100,000	608,400	-	-	1,708,400	1,853,044	1,992,275	5,553,719
2039	1,170,000	536,900	-	-	1,706,900	1,851,300	1,991,500	5,549,700
2040	1,245,000	460,850	-	-	1,705,850	1,855,456	1,993,500	5,554,806

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Fiscal Year Ending June 30	Series 2014A Bonds* (AMT Tax-Exempt)		Series 2014B Bonds* (Federally Taxable)		Total Series 2014 Bonds*	Series 2010 Bonds	Total Parity Bonds*	Other Subordinate Obligations ⁽¹⁾	Total Debt Service*
	Principal	Interest	Principal	Interest					
2041	1,325,000	379,925	-	-	1,704,925	-	1,704,925	1,991,500	3,696,425
2042	1,415,000	293,800	-	-	1,708,800	-	1,708,800	1,995,500	3,704,300
2043	1,505,000	201,825	-	-	1,706,825	-	1,706,825	1,995,000	3,701,825
2044	1,600,000	104,000	-	-	1,704,000	-	1,704,000	-	1,704,000
TOTAL	\$21,035,000	\$27,553,092	\$2,170,000	\$432,505	\$51,190,597	\$66,888,770	\$118,079,367	\$72,070,078	\$190,149,445

THE SERIES 2014 PROJECTS

The Port Commission will apply a portion of the proceeds of the Series 2014 Bonds to finance the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of the Series 2014 Projects. A brief description of the Series 2014 Projects expected to be funded with the proceeds of the Series 2014 Bonds is set forth below. These descriptions are not intended to and do not constitute a commitment by the Port Commission to finance or complete any particular project. The Port Commission may substitute other projects for some or all of the Series 2014 Projects.

Piers are numbered from the Ferry Building, located at Market Street and The Embarcadero, with odd numbered piers going north (with the highest number the furthest north) and even numbered piers going south (with the highest number the furthest south). See the map located at the front of this Official Statement. The projects described below are considered part of the "Port Area," which consists of all real and personal property owned, controlled or operated by the Port Commission, or over which the Port Commission has management, supervision or control, or is deemed by the Port Commission to be a benefit to the Port Area. See "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement" and Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION."

James R. Herman Cruise Terminal at Pier 27

The Port Commission is developing a primary cruise terminal at Pier 27 to replace the existing facility at Pier 35. The existing primary terminal at Pier 35 has neither the capacity to allow for the increasing length and passenger capacity of new cruise ships nor the amenities needed for an international cruise terminal. Pier 27 has been used as a back-up berth, but did not have any amenities within the maritime shed. The Port Commission's engineering staff determined that Pier 27 is in good seismic condition, and that its use as a cruise terminal is consistent with the Port of San Francisco Building Code. The Port Commission approved the development of a new cruise terminal on Pier 27 that would serve as the primary cruise ship terminal, while the cruise terminal on Pier 35 would be used as a secondary terminal in the event that two cruise ships require berthing on the same date. The new cruise terminal building is an approximately 88,000 square foot, two-level cruise terminal facility, and is designed to meet modern ship and operational requirements of the cruise industry and provide an appropriate, welcoming gateway to the City. Additionally, the facility will also be used for special events and will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ships Festivals and visits by oceanic research vessels. The new cruise terminal building was used to host the 34th America's Cup in 2013.

On June 14, 2011, pursuant to a competitive bid process, the Port Commission selected Turner Construction Company as the general contractor for the Pier 27 cruise terminal project. The new terminal is being constructed in two phases. Phase I, which began in April 2012 and was completed in March 2013, consisted of hazardous material abatement and demolition of the old Pier 27 shed, partial demolition of the Pier 29 shed and the Pier 27 Annex office building, relocation of the shoreside power equipment, construction of the core and shell of the cruise terminal building, and preparation of the Pier 27 site for the installation of temporary improvements for the duration of the 34th America's Cup, a sailing race hosted on Port property. Phase II of construction began in November 2013 and includes completing the interior spaces specific to the needs of the cruise terminal, landscaping, and completing the Northeast Wharf Plaza, an approximately 2.5 acre open space at the western end of Pier 27. Phase II is currently expected to be completed in August 2014, and the cruise terminal is expected to be operational by September 2014.

A portion of the Series 2014 Project consists of finishing the remaining portions of the cruise terminal building, including the U.S. Customs and Border Protection facilities, building out the Northeast Wharf Plaza and North Point, the ground transportation area, apron and substructure repairs, installation of maritime equipment such as the mobile gangway system, fenders and bollards, electrical upgrades, and provision of miscellaneous furniture and equipment. The estimated total project cost for Phase II of the James R. Herman Cruise Terminal is approximately \$47 million, of which \$19.5 million is expected to be financed with proceeds

of the Series 2014 Bonds. The balance of the project costs are funded through a combination of a Federal Emergency Management Agency ("FEMA") grant for security improvements and contributions from the City consisting of proceeds of certain general obligation bonds issued by the City, and proceeds of certain certificates of participation which the Port is obligated to repay. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations" herein.

[On _____, the City sold commercial paper to finance on an interim basis a portion of the Pier 27 improvement costs. This amount and related costs in the total amount of \$_____ will be reimbursed with a portion of the proceeds of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.]

Pier 29½ and Pier 31

A portion of the proceeds of the Series 2014 Bonds is planned to be used on structural repairs to the superstructure (columns, beams, truss members and roof decking), exterior apron deck reconstruction, window repairs, door repairs to the apron for egress and safety ladders for roof access, removal and replacement of roofing and miscellaneous sheet metal caps and flashing, and to provide plumbing and electrical infrastructure needed for restrooms, lighting and potential tenant needs. The estimated total project cost is approximately \$6 million, of which \$917,000 is expected to be financed with proceeds of the Series 2014 Bonds. The balance of the project costs are funded using a portion of the proceeds of the Series 2010 Bonds.

Other Capital Improvements

A portion of the proceeds of the Series 2014 Bonds is planned to be used for various capital improvements in order to upgrade and re-lease currently vacant facilities and/or historic window rehabilitation and/or other capital improvements.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

Pledge of Net Revenue Under the Indenture

The Series 2014 Bonds are special, limited obligations of the Port Commission secured by and payable solely from Net Revenue (as defined herein) of the Port Commission and from moneys held in certain funds and accounts established pursuant to the Indenture. The Series 2014 Bonds are not a debt or obligation of the City, the State or any political subdivision thereof (other than the Port Commission payable solely from Net Revenue). Neither the credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to pay the principal of and interest on the Series 2014 Bonds. No Holder of a Series 2014 Bond may compel the exercise of the taxing power of the City, the State or any political subdivision thereof to pay principal of the Series 2014 Bonds or the interest thereon. The Port Commission has no taxing power. The Series 2014 Bonds are not secured by a lien on any Port property (other than the Port's Net Revenue).

The Indenture provides that the Series 2014 Bonds will be payable as to principal, premium, if any, and interest exclusively from, and will be secured by a pledge of, first lien on and security interest in Net Revenue. "Net Revenue" is defined under the Indenture to mean Revenue (as defined below) less Operation and Maintenance Expenses (as defined below). Under the Indenture, for the benefit of the Bondholders, the Port Commission also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

"Revenue" is defined under the Indenture to include all revenue earned by the Port Commission from or with respect to its management, supervision, operation and control of the Port Area, as determined in accordance with generally accepted accounting principles. To the extent permitted by law and designated as

Revenues in a Supplemental Indenture, Revenue will include revenues available to the Port Commission from any district established pursuant to Chapter 2.8 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California or a similar law ("IFD Revenues"). Revenue will not include: (a) Special Facility Revenue (as described herein) and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenue by the Port Commission, (b) grants-in-aid, donations and/or bequests, which by their terms would be restricted to uses inconsistent with the purposes provided hereunder or (c) IFD Revenues unless designated by the Port Commission as Revenues in a Supplemental Indenture (*i.e.*, under the Indenture, the Port must designate IFD Revenues in order for them to be included in the Revenues pledged to Bonds).

The Port Commission currently does not derive revenue from any facility classifiable as "Special Facility Revenue" under the Indenture and does not have any "Special Facility Bonds" outstanding.

"Operation and Maintenance Expenses" is defined under the Indenture to mean, for any period, all expenses of the Port Commission incurred for the operation and maintenance of the Port Area, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses do not include: (a) the principal of, premium, if any, or interest (including capitalized interest) on any Bonds, Subordinate Bonds, general obligation bonds or certificates of participation issued by the City for Port Area purposes or other Port indebtedness; (b) any allowance for amortization, depreciation or obsolescence of the Port Area; (c) any expense for which, or to the extent to which, the Port Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenue, including, but not limited to, Special Facility Revenue; (d) any extraordinary items arising from the early extinguishment of debt; (e) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Port Area which, under generally accepted accounting principles, are properly chargeable to the capital account or any reserves for depreciation; (f) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Port Area properties; (g) items that are unusual or unrelated to the Port Commission's ordinary activities and would occur infrequently, including but not limited to litigation settlements or awards or other items not included in the annual budget or non-cash items paid over a number of years; (h) non-cash expenses arising from pension and post-employment pension benefits; and (i) dredging costs. Operation and Maintenance Expenses include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Port Commission may establish or the Board of Supervisors may require with respect to employees of the Port Commission.

Application of Revenue Under the Charter and Indenture

Under the Charter and the Indenture, all Revenue as received is required to be set aside and deposited by the Treasurer of the City in the San Francisco Harbor Trust Fund (the "Enterprise Fund").

The Charter provides that moneys in the Enterprise Fund will be applied by the City Treasurer for the following purposes in the following order of priority:

(1) for the payment of maintenance and operating expenses, pension charges and proportionate payments to such compensation and other insurance and accident reserve funds as the Port Commission may establish or the Board of Supervisors may require;

(2) for the payment of principal, interest, reserve funds, sinking funds, and other funds established for the benefit of any forms of indebtedness issued or undertaken by or on behalf of the Port Commission for any purpose authorized under the Charter, including, but not limited to, revenue bonds, general obligation bonds, Infrastructure Financing District bonds, certificates of participation, lease revenue bonds, commercial paper, variable rate demand notes, auction rate securities, bond anticipation notes and other evidences of indebtedness;

(3) for capital improvements to, and reconstruction and replacement of, the properties, equipment and facilities of the harbor; and

(4) to establish a reserve, surplus or sinking fund for harbor operations, capital improvements, reconstruction, and replacement of equipment or facilities used in connection thereto as the Port Commission may establish.

In conformity with the priorities established under the Charter, the Indenture provides that moneys in the Enterprise Fund will be applied by the Treasurer for the following purposes and in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(1) *Operation and Maintenance Expenses.* An amount equal to the Operation and Maintenance Expenses as the same become due;

(2) *Debt Service Fund Transfer.* An amount equal to the requirements described below will be transferred and applied by the Treasurer for the purposes described herein:

(i) first, to the Trustee for deposit in the Debt Service Fund, the amount necessary to make all payments and deposits required to be made into the Debt Service Fund and the Reserve Fund with respect to the payment of Bonds (as further described below) and the payment or reimbursement of a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indentures with respect thereto (in addition, if and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds); and

(ii) second, to pay directly or to make all payments and deposits required to be made into any funds and accounts created to pay or secure the payment of the Principal Amount or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof; and

(3) *General Purposes.* Any amounts remaining after the applications pursuant to paragraphs (1) and (2) above will be used for any lawful purpose of the Port Commission and in accordance with all relevant provisions of the Charter.

Flow of Funds

The following is a graphic presentation of the flow of funds under the Charter and the Indenture (as described above) for Port Revenue. The numbers indicate the order of priority in the flow of funds.

⁽¹⁾ Certain subordinated obligations are paid directly by the Port. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

Reserve Fund

The Second Supplemental Indenture establishes the Series 2014A Reserve Account for the Series 2014A Bonds and the Series 2014B Reserve Account for the Series 2014B Bonds. Upon delivery of the Series 2014 Bonds, the Series 2014A Reserve Account within the Reserve Fund will be funded in an amount equal to \$_____, and the Series 2014B Reserve Account within the Reserve Fund will be funded in an amount equal to \$_____. The Series 2014A Reserve Requirement is defined under the Indenture, as of any date of calculation, as the least of (i) an amount equal to Maximum Annual Debt Service with respect to the Series 2014A Bonds, (ii) 125% of average annual debt service on the Series 2014A Bonds, (iii) 10% of the initial Principal Amount of Series 2014A Bonds, or (iv) the sum of (A) \$[992,206] which is the initial deposit to the Series 2014A Reserve Account, plus (B) any amounts available to be transferred from the Series 2014B Reserve Account pursuant to the Indenture. To the extent a future Series of Bonds is designated in a Supplemental Indenture to benefit from the Series 2014A Reserve Account, the foregoing definition shall be revised in such Supplemental Indenture to take into account such Series of Bonds and the requirements of the Code. The Series 2014B Reserve Requirement is defined under the Indenture as the Maximum Annual Debt Service on the Series 2014B Bonds. See Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – DEFINITIONS," – "THE MASTER INDENTURE – Funds – Reserve Fund" and – "SECOND SUPPLEMENT TO INDENTURE OF TRUST – Reserve Fund" in Appendix A.

Moneys in the Series 2014A Reserve Account will be held in trust for the benefit and security of the Holders of the Series 2014A Bonds, and are not available to pay or secure the payment of the Series 2014B Bonds. Moneys in the Series 2014B Reserve Account will be held in trust for the benefit and security of the Holders of the Series 2014B Bonds, and are not available to pay or secure the payment of the Series 2014A Bonds. As provided in a Supplemental Indenture, the Series 2014A Reserve Account or the Series 2014B Reserve Account may support additional Series of Bonds issued in the future, subject to the amount therein equaling the required amount for all covered Bonds.

The Series 2014A Reserve Requirement (or any portion thereof) or the Series 2014B Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank if the obligations insured by such insurer or issued by such bank, as the case may be, initially have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two highest rating categories of the Rating Agencies then rating the Series 2014 Bonds. See Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – THE MASTER INDENTURE – Funds – Reserve Fund."

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture will be invested upon receipt in Permitted Investments as directed by the Port Commission. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Series 2014 Bonds, see Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – THE MASTER INDENTURE – Funds – Investment of Moneys" attached hereto. For information regarding the investment of moneys held in the various funds and accounts of the Port, see "PORT FINANCIAL OPERATIONS – Investment Policy and Investments."

Covenant to Maintain Net Revenue

Under the Indenture, the Port Commission covenants that it will manage its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area so that Net Revenue in each Fiscal Year will be at least equal to 130% of Annual Debt Service for such Fiscal Year. In determining Net Revenue pursuant to the provisions of the Indenture described in this paragraph, the Port Commission may take into account as a credit the amount on deposit in the Revenue Stabilization Fund on June 30 of each Fiscal Year;

provided that the Port Commission will maintain Coverage equal to at least 100% without regard to any credit for any such amounts or deposits in the Revenue Stabilization Fund. **The Port has not deposited any moneys into the Revenue Stabilization Fund to date, but may do so in the future.**

The Port Commission also covenants that if Net Revenue as of the end of any Fiscal Year is less than the amount described in the paragraph above, the Port Commission will retain and direct a Port Consultant to make recommendations as to the revision of the Port Commission's business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Port Commission in connection with the Port Area and will take such recommendations into account for future budgets and management.

In the event that Net Revenue as of the end of any Fiscal Year is less than the amount described above, but the Port Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise its business operations and/or its schedule of rentals, rates, fees and charges as required by the Indenture, such deficiency in Net Revenue will not constitute an Event of Default under the Indenture. Nevertheless, if after taking the measures required by the Indenture to revise its business operations and/or its schedule of rentals, rates, fees and charges, Net Revenue in such next succeeding Fiscal Year (as evidenced by the audited financial statements of the Port Commission for such Fiscal Year) is less than the amount described above, such deficiency in Net Revenue will constitute an Event of Default. For a description of the Events of Default and available remedies to Bondholders in an Event of Default, see Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – The Master Indenture – Default and Remedies."

See "CERTAIN RISK FACTORS" for a description of certain risk factors that could adversely affect the ability of the Port Commission to maintain Net Revenue as required by the Indenture.

Additional Bonds and Other Obligations

Pursuant to the Indenture, the Port Commission is permitted to issue additional bonds and to enter into additional obligations secured by Net Revenue on parity with the payment of principal of and interest on the Series 2014 Bonds, provided that the conditions described below are satisfied. Under the Charter, no voter approval is required with respect to revenue bonds authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues.

The Port Commission has previously issued \$36.65 million in aggregate principal amount of its Series 2010 Bonds, currently outstanding in the aggregate principal amount of \$34.075 million. The Series 2010 Bonds are payable from Net Revenue. Upon issuance of the Series 2014 Bonds, the Series 2014 Bonds will be secured by and payable from Net Revenue on a parity basis with the Series 2010 Bonds. The Port Commission currently has no other obligations outstanding that would be on a parity with the Series 2010 Bonds and the Series 2014 Bonds. The Port's current Ten-Year Capital Plan (as defined herein) assumes no additional Port revenue bonds will be issued, but the Plan notes that the Port would revisit issuing bonds if projects were identified in the future that generate revenues in excess of the amount required to service debt costs. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Ten-Year Capital Plan" herein.

All Bonds issued under the Indenture and at any time outstanding will be equally and ratably secured with all other outstanding Bonds, with the same right, lien, preference and priority with respect to Net Revenue, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds or otherwise. All Bonds of a particular Series will in all respects be equally and ratably secured and will have the same right, lien and preference established under the Indenture for the benefit of such Series of Bonds including, without limitation, rights in any related project fund and/or delivery costs fund, debt service fund or reserve fund. Notwithstanding the foregoing, amounts drawn under a Credit Facility with respect to particular Bonds and all other amounts held in funds or accounts established with respect to particular Bonds pursuant to the Indenture and of any Supplemental Indenture will be applied solely to make payments on such Bonds.

Additional Bonds. Under the Master Indenture, the Port Commission is permitted to issue additional Series of Bonds subject to certain conditions. These conditions include, among other things, submission to the Trustee of a report of the Port Commission demonstrating that for the period from and including the first full Fiscal Year following the issuance of such additional Series of Bonds during which no interest on such additional Series of Bonds is expected to be paid from the proceeds thereof through and including the later of (A) the fifth full Fiscal Year following the issuance of such additional Series of Bonds or (B) the third full Fiscal Year during which no interest on such additional Series of Bonds is expected to be paid from the proceeds thereof, projected Net Revenue in each such Fiscal Year will be at least sufficient to satisfy the rate covenants set forth in the Indenture. See "Covenant to Maintain Net Revenue" above.

In determining projected Net Revenue for purposes of the report of the Port Commission described in the paragraph above, the Port Commission may take into account any reasonably anticipated changes in Revenue and Operation and Maintenance Expenses over such period, which assumed changes and the basis therefor will be described in the calculations provided by the Port Commission. In determining Annual Debt Service for such purposes, (i) Bonds that will be paid or discharged immediately after the issuance of the additional Series of Bonds proposed to be issued from the proceeds thereof or other moneys will be disregarded, and (ii) Variable Rate Bonds and variable rate Interest Rate Swaps will generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of one hundred twenty five percent of the average Index Rate (*i.e.*, generally defined under the Indenture as the SIFMA Municipal Swap Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Bonds or Interest Rate Swaps. The Port Commission may also take into account as a credit amounts expected to be on deposit in the Revenue Stabilization Fund on June 30 of each Fiscal Year; provided that the Port Commission will maintain Coverage under the provisions of the Indenture summarized above under "– Covenant to Maintain Net Revenue" equal to at least 100% without regard to any credit for any such amounts on deposit in the Revenue Stabilization Fund.

The Port Commission may also issue additional Series of Bonds for the purpose of refunding any Bonds or Subordinate Bonds on or prior to maturity. Upon issuance of the Series 2014 Bonds, the Series 2014 Bonds will be secured by a lien on Net Revenue on a parity with the Series 2010 Bonds.

Subordinate Obligations. The Port Commission has a loan from the California Division of Boating and Waterways, in the principal amount of \$3.5 million. This loan is secured by a lien on certain marina revenues but such loan is expressly subordinate to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Application of Revenue Under the Charter and Indenture" and "– Flow of Funds."

In October 2013, the City caused the execution and delivery of certificates of participation in the aggregate principal amount of \$37.7 million, for the purpose of financing and refinancing capital improvements to certain facilities owned by the Port, including Phase I of the new cruise terminal at Pier 27. Pursuant to a memorandum of understanding between the Port Commission and the City, the Port Commission agreed, during the term of the certificates of participation, to pay the principal and interest with respect to the certificates of participation. The Port's payment obligations with respect to the certificates of participation are unsecured by any lien on Port revenues or property and are expressly subordinate to the Bonds. The Pier 27 facilities are the leased property under a lease relating to the certificates of participation; however, the lease is an obligation payable from the City's General Fund and the lease does not provide for a remedy of re-entering and re-leasing the leased property in the event of a default.

The San Francisco Public Utilities Commission ("SFPUC"), a department of the City, has advanced funds to the Port in the principal amount of \$1.14 million to construct certain energy efficiency projects at identified Port facilities. Pursuant to a memorandum of understanding between the Port Commission and the SFPUC, the Port has agreed to repay these advances with interest. The Port's payment obligations with respect to these advances are unsecured by any lien on Port revenues or property and are expressly subordinate to the Bonds.

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the Port Commission and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Reserve Fund) may be accorded the status of an obligation payable on a parity from Net Revenue with the Series 2014 Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the Port Commission and a Swap Counter Party, a Swap Payment may be accorded the status of an obligation payable on a parity from Net Revenue with the Series 2014 Bonds for purposes of securing such obligation to make Swap Payments under the Indenture. The Port Commission currently does not have any outstanding Interest Rate Swap.

Special Facilities and Special Facility Bonds. The Port Commission from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is located within the Port Area or part of any facility or structure at the Port Area as a "Special Facility," (b) provide that revenues earned by the Port Commission from or with respect to such Special Facility will constitute "Special Facility Revenue" and will not be included as Revenue, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds will be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Net Revenue. The Port Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds. The Port Commission currently does not have any outstanding Special Facility Bonds.

No Special Facility Bonds may be issued by the Port Commission unless there has been filed with the Trustee (i) a certificate of the Port Commission to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws, and (iii) a report of the Port Commission providing the following calculations:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same becomes due, all costs of operating and maintaining such Special Facility to be paid by the Port Commission, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and

(b) the estimated Net Revenue, calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses, that will be sufficient so that the Port Commission will be in compliance with the rate covenant under the Indenture (see "– Covenant to Maintain Net Revenue" above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility will be included as Revenue.

Subordinate Bonds. Under the Indenture, the Port Commission may issue at any time obligations with a pledge of, lien on, and security interest in Net Revenue which are junior and subordinate to those of the Series 2014 Bonds ("Subordinate Bonds"). Under the Charter, no voter approval is required with respect to

revenue bonds authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues. See “– Additional Bonds” above. The principal and purchase price of and interest, redemption premium and reserve fund requirements on such Subordinate Bonds are payable from time to time out of Net Revenue only if all amounts then required to have been paid or deposited under the Indenture from Net Revenue with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the Series 2014 Bonds then Outstanding has been paid or deposited as required in the Indenture. The Port has certain long-term obligations outstanding which constitute “Subordinate Bonds” as defined under the Indenture and/or which are otherwise subordinate to the Bonds. See “– Subordinate Obligations” above.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The population of the City as of January 1, 2013 was approximately 839,100.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, technology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2012, approximately 16.5 million people visited the City and spent an estimated \$8.93 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for Fiscal Year 2012-13 was estimated to be \$73,197. The San Francisco Unified School District operates 72 elementary and K-8 school sites, 13 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 34 state-funded preschool sites, and sponsors 13 independent charter schools. Higher education institutions located in the City include the University of San Francisco, San Francisco State University, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport (“SFO”), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for Pacific traffic. In 2013, SFO serviced approximately 44 million passengers and handled 363,794 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the

north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City.

The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's Original Budget for Fiscal Years 2013-14 and 2014-15 totals \$7.91 billion and \$7.93 billion, respectively. The General Fund portion of each year's budget is \$3.95 billion in Fiscal Year 2013-14 and \$4.05 billion in Fiscal Year 2014-15, with the balance being allocated to all other funds, including enterprise fund departments, such as the Port Commission, SFO, the San Francisco Municipal Transportation Agency, and the San Francisco Public Utilities Commission. The City employed 28,387 full-time-equivalent employees at the end of Fiscal Year 2012-13. According to the Controller of the City (the "Controller"), Fiscal Year 2013-14 total net assessed valuation of taxable property in the City is approximately \$172.5 billion.

THE SERIES 2014 BONDS ARE NOT A DEBT OR OBLIGATION OF THE CITY. THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE PORT COMMISSION PAYABLE SOLELY FROM NET REVENUE). NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2014 BONDS. NO HOLDER OF A SERIES 2014 BOND MAY COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY PRINCIPAL OF THE SERIES 2014 BONDS OR THE INTEREST THEREON. THE PORT COMMISSION HAS NO TAXING POWER. THE SERIES 2014 BONDS ARE NOT SECURED BY A LIEN ON ANY PORT PROPERTY (OTHER THAN THE PORT'S NET REVENUE).

THE PORT OF SAN FRANCISCO

Introduction and Overview

The State transferred the Port to the City in 1969 pursuant to California Statutes of 1968, Chapter 1333 (the "Burton Act"). The Burton Act and related Transfer Agreement require the City to manage the Port in trust for the State consistent with public trust laws, including limitations on the uses of Port property to those that are water-dependent or water-related, but not necessarily revenue-generating, such as commerce, industry, fisheries, navigation, environmental preservation and recreation. In addition, the Burton Act requires the City to use all of the revenues generated from Port property to operate, maintain and develop the Port. See "CERTAIN RISK FACTORS – Burton Act and Transfer Agreement" and Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION."

The Port Commission was established to govern the Port pursuant to the Charter and the Burton Act. The mission of the Port Commission is to promote a balance of recreational, industrial, maritime, transportation, public access and commercial activities on a self-supporting basis through appropriate management and development of the waterfront for the benefit of the public.

The Port Area consists of seven and one-half miles of waterfront property adjacent to the San Francisco Bay, from Hyde Street Pier in the north to India Basin in the south, including more than 834 acres consisting of 629 acres of landside property and 205 acres of waterside property. Among ports, the Port has one of the most diverse mixes of types of businesses in the nation. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursions, professional sports, bulk and breakbulk cargo, cruise ship calls and ship repair. To support these operations, the Port owns or has responsibility for the maintenance of certain capital assets, including 39 pile-supported pier structures, 80 substructures (of both piers and wharves between piers), 245 commercial and industrial buildings, over three miles of streets and sidewalks, and elements of the utility infrastructure that support them, as well as drydocks, cargo cranes and heavy equipment used by the Port's maintenance division. The Port Commission is the

landlord under approximately 533 ground, commercial, retail, office, industrial and maritime industrial leases, including ground leases of many internationally recognized landmarks such as Fisherman's Wharf, Pier 39, The Exploratorium, the Ferry Building, and AT&T Park (home of the San Francisco Giants baseball team).

Port operating revenues, which totaled approximately \$81.5 million in Fiscal Year 2012-13, were derived primarily from real estate and maritime operations. Real estate revenues, which are made up of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, represented approximately 75% of Port operating revenues in Fiscal Year 2012-13. Maritime revenues, which are derived from cargo shipping (dry and liquid bulk cargo, and break bulk cargo), dry dock and ship repair services, passenger cruise ship and ferryboat activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities, comprised approximately 18% of Port operating revenues in Fiscal Year 2012-13. See "PORT REAL ESTATE OPERATIONS AND MARITIME."

The use of Port property and facilities, the rehabilitation and development of its assets, and its operations are all subject to a number of constraints. The constraints within which the Port Commission must operate include those imposed by the Waterfront Land Use Plan, the San Francisco Bay Conservation and Development Commission (through its Seaport and Special Area Plans), the California Environmental Quality Act and other State environmental regulations, the California State Lands Commission (interpreting public trust law), the Burton Act, the Transfer Agreement, the Board of Supervisors, the Charter and Administrative Codes, federal regulation, Port tenants, and community interest groups. Certain Port piers, buildings and other structures are also subject to additional regulations due to their historic significance. See "PORT FINANCIAL OPERATIONS – Regulatory Compliance."

Most capital assets comprising the Port range from 50 to 100 years old, were constructed for use in the cargo shipping industry as it existed at the time of original construction and are reaching the end of their useful life. When the State transferred responsibility for the Port to the City, the Port capital assets were already in a state of disrepair. Of the 39 piers currently in use by the Port Commission or Port tenants, 10 have been significantly rehabilitated since 1950. The piers that were structurally sound at the time of transfer were only marginally productive because containerized shipping was already replacing breakbulk (*e.g.*, bagged, boxed, crated or palletized) shipping as the primary mode of cargo shipping at that time. Containerized shipping requires significant acreage of land and access to rail and truck transportation facilities that the Port lacks given its proximity to the City's dense urban neighborhoods. Therefore, the Port Commission has been transitioning Port facilities from primarily cargo-serving uses to mixed uses including more non-cargo related maritime uses, retail, restaurants, and office space. The Port's Capital Plan and development strategy attempt to address some of the foregoing issues. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

Port Commissioners

The Port Commission governs the Port. The five Port Commissioners, appointed by the Mayor and subject to confirmation by the Board of Supervisors of the City, serve four-year terms and elect, from the members of the Port Commission, the Port Commission President and Vice President to one-year terms. Through resolutions and directives, the Port Commission sets policy for the Port.

The current members of the Port Commission and the appointment and expiration dates of their terms are:

<u>Name and Title</u>	<u>Occupation</u>	<u>Originally Appointed</u>	<u>Term Expires</u>
Leslie Katz, President	Strategy and external affairs consultant and attorney	March 2011	May 2014
Willie Adams, Vice President	Secretary-Treasurer of the International Longshore & Warehouse Union	July 2012	May 2014
Kimberly Brandon	Financial services	August 1997	May 2017
Mel Murphy	General contractor and real estate developer	March 2013	May 2016
Doreen Woo Ho	Retired banking executive	May 2011	May 2014

Executive Director and Senior Management

The policies set by the Port Commission are implemented by the Port's Executive Director and staff. The Executive Director serves as chief executive of the Port, is appointed by the Mayor, serves at the pleasure of the Port Commission, and is charged with the management of all the offices and activities placed under the jurisdiction of the Port Commission. The staff of the Port Commission is organized into the following divisions: Maritime; Real Estate; Planning and Development; Engineering; Maintenance; and Finance and Administration. In addition, the Executive Director oversees the Executive Division functions for Public Relations, Homeland Security and Special Projects.

Monique Moyer, Executive Director. Monique Moyer is the Executive Director of the Port, appointed by Mayor Gavin Newsom and confirmed by the Port Commission in April 2004. She is the second woman to serve as Executive Director in the Port's 151-year history. Prior to joining the Port Commission, Ms. Moyer served the City for seven years as the Director of the Mayor's Office of Public Finance & Business Affairs. Ms. Moyer sits on the non-profit boards of the Mid-Peninsula Housing Coalition, the Foundation of the Fine Arts Museums, and is Vice Chair of the California Association of Port Authorities. In 2002, Ms. Moyer received the San Francisco Chamber of Commerce Public Managerial Leadership Award. She has been named annually as one of the *San Francisco Business Times'* 150 Influential Women in Business from 2005-2011 and became "Ever Influential" in 2012. She is the recipient of San Francisco Travel's 2013 Silver Cable Car Award in recognition of her significant contribution to San Francisco tourism.

Brad Benson, Director Special Projects. Brad Benson joined the Port in 2005. He directs government affairs, long-term capital planning and complex projects. Mr. Benson specializes in the public trust for commerce, navigation and fisheries and regulations that govern waterfront development and oversees the Port's local, State and federal legislative program. Mr. Benson serves as project leader for large development projects and manages interdepartmental and interdivisional efforts, such as the 34th America's Cup and the under pier utility inspection program. Prior to joining the Port, Mr. Benson served as legislative aide to Supervisor Tom Ammiano from 1998-2005.

Thomas Wm. Carter, Deputy Director of Maintenance. Thomas Wm. Carter has served as Deputy Director of Maintenance for the Port since December 2004. He is responsible for directing and managing maintenance services for all Port facilities and providing the overall evaluation, direction, planning and management of services for the Port's Maintenance Division. Prior to joining the Port Commission, Mr. Carter

held various positions at the City and its Department of Public Works ("DPW"), including serving as Operations Superintendent – Bureau of Street & Sewer Repair for the Department of Public Works, the first Operations Superintendent of the Bureau of Urban Forestry, and Assistant Superintendent of the Bureau of Building Repair for DPW.

Peter A. Dailey, Deputy Director of Maritime. Peter A. Dailey has served as Deputy Director, Maritime, for the Port since 1998 and is responsible for managing and marketing the Port's varied maritime business portfolio. Mr. Dailey has been at the Port for over 27 years. Prior to his current position, Mr. Dailey was senior marketing executive at the Port with responsibility for public relations and public affairs, strategic marketing and press relations. He is a member of the San Francisco Bay Conservation and Development Commission's Seaport Planning Advisory Committee and the California Association of Port Authorities Advisory Committee, and past Chairman of the American Association of Port Authorities Cruise Committee.

Elaine Forbes, Deputy Director of Finance and Administration. Elaine Forbes joined the Port in July of 2010. She is responsible for directing and managing all internal support services for other Port divisions and the executive staff; overseeing business services, inventory and purchasing; managing information systems, human resources, finance, accounting and infrastructure maintenance function; and formulating division-wide budget, business and strategic plans. Prior to joining the Port, Ms. Forbes worked for the City and County of San Francisco for nine years. She worked for the Board of Supervisors as a legislative and budget analyst for five years, served as the San Francisco Airport's budget manager, and was most recently the chief administrative officer for the Planning Department, where she was responsible for finance and accounting, contracts, information technology, and operations.

Eileen Malley, Deputy City Attorney and Port General Counsel. Eileen Malley began serving as the Port's General Counsel in March 2012. In this capacity, she provides advice on a range of legal matters including contracts, real estate agreements, public trust matters, environmental and community stewardship, land use, California Environmental Quality Act compliance processes and public meeting laws and rules. Ms. Malley has been a Deputy City Attorney in the San Francisco City Attorney's Office since January 2005. Prior to working as General Counsel to the Port, she was a member of the City Attorney's Office Real Estate and Finance Team and served as General Counsel to the Treasure Island Development Authority. Before joining the City Attorney's Office, Ms. Malley practiced real estate law at Brobeck Phleger & Harrison LLP and Morgan Lewis & Bockius LLP, and was a member of the Legal Department at Catellus Development Corporation.

Uday Prasad, Interim Chief Harbor Engineer. As Interim Chief Harbor Engineer, Uday Prasad has been overseeing the Port's Engineering Division since June 2013. He is responsible for developing, planning, and directing the work of the Port's Engineering Division, which oversees several major functions including: building/encroachment permits, engineering and architectural design, facilities assessment, construction management, and project management. Mr. Prasad has more than twenty years of experience in engineering design, supervision, and management. He started with the Port as a Civil Engineer in 2002 and has also held the position of the Port's Senior Civil Engineer since 2005. Prior to joining the Port Commission, Mr. Prasad worked for San Francisco Department of Public Works and San Francisco Public Utilities Commission. He has been with the City and County of San Francisco since 1992.

Susan Reynolds, Deputy Director of Real Estate. Susan Reynolds has served as Deputy Director of Real Estate for the Port since November 2006. She is responsible for directing, promoting and managing the Port's diverse real estate portfolio. Prior to joining the Port Commission, Ms. Reynolds worked for eight years at the Mayor's Office of Community Development. Prior to joining the City, Ms. Reynolds spent over 25 years in the commercial banking industry.

Byron A. Rhett, Deputy Director of Planning & Development. Byron A. Rhett has served as the Deputy Director of Planning & Development for the Port since November 2000. Mr. Rhett is responsible for overseeing all planning and development activities at the Port including the implementation of large scale,

mixed-use commercial, recreational and industrial projects. Prior to joining the Port Commission, Mr. Rhett worked at the San Francisco Redevelopment Agency for over 21 years, serving as a senior project manager managing the Hunters Point Shipyard project and nearby Bayview Hunters Point neighborhood development projects. Prior to that, he worked as a planner for the City of Newark, New Jersey, the Newark Watershed Conservation and Development Corporation and Special Assistant in the City Manager's Office in Kansas City, Missouri.

Margaret "Sidonie" Sansom, Director of Homeland Security. Sidonie Sansom has served as Director of Homeland Security at the Port since July 2005. She is responsible for developing, directing, and implementing a comprehensive homeland security program for the Port. She is also responsible for the Port's emergency preparedness and response programs, and the Port's physical security programs. Before joining the Port Commission, Ms. Sansom served as an Emergency Planner at the San Francisco International Airport where she developed exercises to test emergency response and emergent threats, as well as cross-jurisdictional, multi-agency response procedures for the airport's Water Perimeter Security Zone. Prior to that, she served in the U.S. Coast Guard, planning and leading flight operations throughout the world, in a variety of mission areas including search and rescue, anti-terrorism/threat response, law enforcement, pollution response and high latitude science. Ms. Sansom is a member of the American Association of Port Authorities Security Committee, the Port Security Caucus, the California Maritime Security Council, the California Association of Port Authorities Security Committee and the Area Maritime Security Committee.

Port Operating Divisions

Real Estate Division. The Real Estate Division is responsible for all asset management, property and lease management, marketing and leasing for the Port's commercial and industrial property along the 7.5 miles of San Francisco's waterfront properties that extends from Fisherman's Wharf to Bayview/Hunters Point, exclusive of those leases to maritime tenants that are managed by the Maritime Division. Real estate asset and property management duties entail lease negotiations, lease and property administration and enforcement, and asset value enhancement.

Maritime Division. The Maritime Division is responsible for managing and marketing a wide array of maritime industries: cruise and cargo shipping, ship repair, commercial and sport fishing, ferry and excursion operations and other harbor services. The division promotes Port maritime facilities to potential and existing customers while ensuring compliance with federal security mandates and providing environmental stewardship. Areas of responsibility include cruise and cargo terminals, ferry terminals, shipyards and dry docks, Fisherman's Wharf and Hyde Street commercial fishing harbors, excursion terminals and harbor service facilities for pilots, tugboats, barges, layberthing and other ship services.

Planning and Development Division. The Port's Planning and Development Division is responsible for developing and maintaining planning and land use policies adopted by the Port Commission. The Port's land use policies, as adopted by the Port Commission, are contained in the Waterfront Land Use Plan and its Waterfront Design and Access element. The Waterfront Land Use Plan establishes the foundation and framework for new development projects, real estate leasing and asset management, public access, open space and environmental improvements, and preservation of the Port's historic resources. Another important responsibility of the Planning and Development Division is to manage major development projects on Port property. This responsibility includes major public-private partnership development projects with a private developer partner, from the developer selection stage through the project approval and construction stage. Finally, the Planning and Development Division provides regulatory and review responsibilities pertaining to Port building permits, leases and use proposals to ensure that proposals for Port properties comply with applicable land use, design review, and environmental impact review requirements administered by a number of different government agencies.

Engineering Division. The Engineering Division provides project and construction management, engineering design, facility inspection, contracting, code compliance review and permitting services for all of

the Port's facilities including piers, structures, buildings, cranes, utilities, public and private areas, development projects, streets and walkways. The Engineering Division assists and coordinates with other City Departments to assure an appropriate transition between the City and the property in the Port's jurisdiction.

Maintenance Division. The Maintenance Division is responsible for maintaining the Port's 7.5 miles of waterfront property and maintaining the waterfront as a positive connection to the other parts of the City. More than 100 skilled craftspersons are responsible for the preservation and improvement of the Port's fishing harbors, ferry landing, public parks, cargo terminals and piers. The overall maintenance performed by the Maintenance Division includes the skilled work of 18 different crafts, including carpenters, electricians, painters, gardeners, pile drivers, plumbers, roofers and general laborers.

Finance and Administration Division. The Finance and Administration Division is responsible for management of Port operations and support services, including human resources, accounting, finance, contracts, information systems, and business services. Human resources include labor and employee relations, payroll, training programs, employee recruitment and hiring, and contract compliance. Finance includes budget development and analysis, capital planning, grants, forecasting, financing, risk analysis, and reporting. Accounting includes accounts payable, accounts receivable, general ledger, financial statements and managing outside audits. Information systems include the Port's information technology equipment acquisition and maintenance, local area network, computer application development and maintenance. Business services includes purchasing, materials management, mail service, telephone system, receptionist service, administration of the Port's vehicles, and management of the Port's offices.

PORT REAL ESTATE OPERATIONS

Overview

The Port through its Real Estate Division is engaged in the marketing, leasing and management of its properties for commercial business uses including office, industrial, storage, retail, restaurants, parking lots, parking meters, and tourist attractions. As of June 2013, the Port had 408 real estate leases representing 309 commercial and industrial tenants who occupied approximately 13.1 million square feet including piers, sheds, wharves, seawall lots, and open industrial land that generated approximately \$53.5 million in lease revenues in Fiscal Year 2012-13. An additional \$7.9 million was derived from non-lease sources such as parking meters and parking fines, for total Real Estate Division revenues of \$61.4 million. For information on certain maritime leases of the Port, see "PORT MARITIME OPERATIONS" herein.

The Port is authorized pursuant to the Burton Act, under specified conditions, to grant leases with terms up to 66 years. Beginning in the 1970s, the Port has entered into several major ground leases of its properties that provide for the development of significant office, retail, and tourism attractions across the waterfront, including, for example, the Pier 39 festival marketplace, AT&T Park, the renovation of the historic Ferry Building and the opening of a 330,000 square foot science museum, the Exploratorium. Most of these long-term master leases, with base and percentage rents, have replaced short-term leases to dozens of individual tenants. In establishing such long-term lease arrangements, the Port endeavors to transfer risks related to such developments to the ground lease tenant and in certain cases to address repairs and seismic upgrades needed for Port facilities. The Port is currently pursuing several public-private partnership development projects with the intention of addressing the Port's capital backlog and enhancing Port land value. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY" below.

Industrial and Other Non-Maritime Real Estate Leases and Lease Revenues

The largest category of the Port's real estate operations is the "industrial" group of leases. The industrial group consists of 225 tenancy agreements and represents approximately 55% of the Port's 408 real estate lease agreements. Industrial tenant uses range from simple storage to manufacturing and fabrication.

The next largest group by number of leases, the "office" leases, comprises approximately 25% of the Port's real estate tenancy agreement mix.

Although diversified in terms of the numbers of users, several categories of Port tenants represent a larger share of Port revenues than do others. The Port's restaurant and retail tenants account for approximately 16% of real estate lease annualized revenue. Annualized revenue is calculated by the Port based on current minimum rents as of June 30, 2013 plus Fiscal Year 2012-13 percentage rents over the minimum rent, net of certain credits. Similarly, rent from the Port's diversified industrial tenants represents approximately 31% of such annualized revenues. Industrial tenants include concrete batching plants, warehouse and storage space leases. Leases to parking companies generate 23% of such annualized revenues.

A large majority of all Port real estate leases provide for periodic fixed or cost of living increases in the base or minimum rents. Most Port retail and restaurant leases provide for the monthly payment of percentage rents utilizing factors consistent with national and regional percentage rent comparables. Most Port commercial property leases are fully or partially net leases, with the tenants responsible for some or all of the property operating expenses including utility fees, some maintenance and repair, liability and fire damage insurance, janitorial expenses and the payment of state and local taxes.

Information regarding lease terms held by current non-maritime tenants of the Port is set forth in the following table:

Table 1
PORT OF SAN FRANCISCO
Real Estate Leases
Remaining Lease Terms
As of June 2013

	Number of Leases		Annualized Revenue⁽¹⁾	
Month-to-Month	184	45.1%	\$11,247,674	20.2%
<i>Remaining Term:</i>				
Less than One Year	51	12.5	1,742,305	3.1
One to Five Years	104	25.5	17,395,588	31.3
Five to Ten Years	12	2.9	3,059,638	5.5
Ten to Twenty Years	11	2.7	4,005,168	7.2
Twenty to Thirty Years	28	6.9	12,346,475	22.2
Over Thirty Years	18	4.4	5,855,037	10.5
Total	408	100.0%	\$55,651,885	100.0%

⁽¹⁾ Based on current minimum rents as of June 30, 2013 and Fiscal Year 2012-13 percentage rents over minimum rent amounts. Amounts shown are net of certain rent credits. At February 28, 2014, there were 405 active leases, representing approximately \$54.9 million in annualized revenue. Certain re-leasing activities are currently in progress.

Source: Port of San Francisco.

The following table sets forth the top ten real estate tenants of the Port, in terms of revenue, for Fiscal Year 2012-13. The lease revenue of these ten tenants accounted for approximately \$24,965,000 or 40.7% of the total revenues managed by the Port's Real Estate division.

Table 2
PORT OF SAN FRANCISCO
Top Ten Real Estate Tenants
Fiscal Year ending June 30, 2013
(Revenues in Thousands)

Tenant Name	Revenue⁽¹⁾⁽²⁾	Percent of Real Estate Revenue⁽³⁾	Percent of Total Revenue⁽⁴⁾	Use
China Basin Ballpark Company LLC	\$6,167	10.1%	7.6%	Ballpark Site and Related Parking
Pier 39 Limited Partnership	3,268	5.3	4.0	Retail/Entertainment
Priority Parking-CA	2,468	4.0	3.0	Parking
San Francisco Municipal Transportation Agency	2,447	4.0	3.0	Storage, Office, and Parking
Central Parking System	2,373	3.9	2.9	Parking
Recology San Francisco	2,238	3.6	2.8	Recycling
Trans Bay Cable LLC	1,935	3.2	2.4	Utility (Power Transmission)
Ferry Building Investors, LLC	1,491	2.4	1.8	Office/Retail
AMB Pier One, LLC	1,362	2.2	1.6	Office/Retail
Imperial Parking (U.S.), Inc.	1,216	2.0	1.5	Parking
Total	\$24,965	40.7%	30.6%	

(1) Includes tenants with leases that generate non-maritime revenues. Minor maritime or other revenues may be included in a tenant's revenue total.

(2) Amounts represent tenant billings net of certain revenue credits and allowances.

(3) Real Estate revenue for Fiscal Year 2012-13 was approximately \$61.4 million.

(4) Port operating revenue for Fiscal Year 2012-13 was approximately \$81.5 million.

Source: *Port of San Francisco*

San Francisco's and the Port's Real Estate Market

The 2008 economic crisis took its toll on all Bay Area commercial real estate markets. However, due to the diversity of the Port's real estate portfolio, which includes office, industrial, storage, retail, restaurants, parking lots, parking meters, and major tourist attractions, and the relative scarcity of industrial space in San Francisco, the Port's real estate revenues remained relatively stable throughout the economic downturn. Recent growth in real estate revenues has followed regional economic improvements, driven primarily by growth in parking revenues.

Today, the San Francisco office market continues to attract tenants from across a wide spectrum of industries around the globe. The technology sector is the principal driver of demand in the office market, but

professional service firms are continuing to lease space throughout the City. With major tenants still in the market leasing space, the Port expects high leasing activity to continue through the short term, and a return to traditional levels in the long term.

In Fiscal Year 2012-13, commercial and residential rents and median home prices in San Francisco increased. The average residential rent for apartments in San Francisco rose 6.6% during Fiscal Year 2012-13, from \$2,640 to \$2,813. Commercial rents saw a 14.8% increase in Fiscal Year 2012-13 compared to Fiscal Year 2011-12. The average median home price in Fiscal Year 2012-13 was \$765,583, up 18.4% from the previous fiscal year.

The table below shows the Port's commercial and industrial lease revenues, and parking rental revenues (excluding parking meter, parking fine and parking stall revenues), from Fiscal Year 2008-09 to Fiscal Year 2012-13.

Table 3
PORT OF SAN FRANCISCO
Historical Results of Real Estate Lease Revenue
For Fiscal Years Ended June 30,
(Amounts in Thousands)

	2009	2010	2011	2012	2013
Commercial/Industrial	\$41,506	\$39,956	\$42,221	\$42,883	\$43,266
Parking Lot Rent	<u>7,210</u>	<u>7,970</u>	<u>10,077</u>	<u>10,688</u>	<u>10,222</u>
Total	\$48,716	\$47,926	\$52,298	\$53,571	\$53,488

Source: Port of San Francisco.

Overall Port vacancy rates for shed (warehouse), office, and retail space have closely followed vacancy rates in the City real estate market. The table below reflects the vacancy rate of Port facilities under direct management by Port staff (excluding those facilities under master leases such as Pier 39 or the Ferry Building) available for leasing as of the end of each Fiscal Year from Fiscal Year 2008-09 to Fiscal Year 2012-13. Some fluctuations in the vacancy rate are caused by either (a) facilities coming off the market due to safety concerns, to allow for renovation, or to facilitate long term development projects, or (b) the return of property to the Port that was previously under a master lease, or dedicated to a special event such as the 34th America's Cup. Notably, these fluctuations in the vacancy rate generally are due to changes in the supply of leasable Port property and not any underlying change in demand. Generally, demand for Port space has been increasing with improvements in the regional economy.

Table 4
PORT OF SAN FRANCISCO
Vacancy Rates of Facilities Available Under Direct Port Real Estate Management
On June 30,

	2009	2010	2011	2012 ⁽¹⁾	2013 ⁽¹⁾
Office ⁽²⁾	15.5%	17.7%	21.0%	10.1%	9.3%
Shed	10.2	12.7	3.0	2.3	0.3
Overall ⁽³⁾	10.9	13.4	5.5	3.5	1.6

⁽¹⁾ At specified dates during Fiscal Years 2011-12 and 2012-13 various sheds and piers were provided to the America's Cup Event Authority, causing reductions in the vacancy rate shown above.

⁽²⁾ Office space includes both traditional office space as well as bulkhead building office space.

⁽³⁾ Overall vacancy is weighted by square footage in each respective category, and does not equal the average of office and shed.

Source: Port of San Francisco.

In 2009, the City's Planning Commission and Board of Supervisors approved the City's Eastern Neighborhoods Plan and associated zoning and planning codes. The Eastern Neighborhoods Plan does not include the Port Area, but a significant portion of the area covered by the plan is directly adjacent to the Port's industrial properties. The Eastern Neighborhoods Plan calls for transitioning about half of the existing industrial areas in four San Francisco neighborhoods to mixed use zones that encourage new housing. The other remaining half would be reserved for "Production, Distribution and Repair" (Light Industrial) districts, where a wide variety of functions such as bus vehicle yards, caterers, and performance spaces can continue to operate. The Port's industrial properties are expected to house a significant portion of such "Production, Distribution and Repair" uses on behalf of the City. Demand for the Port's industrial space could remain high. Some industrial property owners in San Francisco have been converting their industrial properties to different uses. As these conversions continue, the Port's status as the single largest holder of built industrial space in the City may strengthen.

In December 2010, the City was selected to host the world's premier sailing race, the 34th America's Cup managed by the America's Cup Event Authority. In connection with the event, the City, through the Port, agreed to provide rent-free use of facilities for certain race events that occurred in 2012 and 2013. The City and the Port entered into a memorandum of understanding ("MOU") for payments-in-lieu of rent, to reimburse the Port for certain race-induced lost revenues.

As the successful defender of the 34th America's Cup challenge in September 2013, the Golden Gate Yacht Club ("GGYC") has the right to organize the next America's Cup including selection of the race format, date, and location of the race. While negotiating with the City, the GGYC announced that it intends to consider other locations to host the 35th America's Cup, and to finalize a selection by the summer of 2014. The financial cost or benefit to the Port of hosting the 35th America's Cup, if any, will not be known until after these negotiations have been concluded. Any negotiated agreement will then be subject to environmental review under CEQA, and approvals by the Port Commission and by the Board of Supervisors. Should the next America's Cup also occur in San Francisco, it is anticipated that the Port would receive full or partial rents for the use of its facilities.

PORT MARITIME OPERATIONS

Overview

The Port's maritime revenues are derived from cargo, cruise, ship repair, commercial and sport fishing, ferry and excursion operations and a full range of harbor services. Term leases related to maritime activity normally provide base or minimum rents payable to the Port in equal monthly installments. Percentage or other contingent rents could be payable based on revenue volumes in excess of threshold amounts. Some maritime revenues are based on actual occupancy or use by a measured unit (*e.g.*, per lineal feet of vessel length for dockage) or measured time (*e.g.*, per 24-hour day). These maritime use fees may be based on a standardized tariff schedule or covered by a specific contractual agreement.

In Fiscal Year 2012-13, maritime revenues (apart from maritime revenues such as excursion agreements allocated in the Port's real estate division) were \$14.9 million, or approximately 18.3% of the Port's Fiscal Year 2012-13 total operating revenues of \$81.5 million. The Port has shifted its maritime business focus from solely cargo to passenger cruises, harbor services and ship repair, in recognition of the Port's competitive advantages among the northern California ports as a popular tourist destination and a diversified facility. The largest source of the Port's maritime revenues continues to be cargo, followed by passenger cruises. In addition, the Port has one of the largest dry docks in the United States that is able to repair cruise ships that are so large they are unable to pass through the Panama Canal ("post-panamax ships").

As of June 30, 2013 the Port had 125 maritime leases representing 99 maritime industry tenants. The breakdown of these leases by industry segment is as follows:

Table 5
PORT OF SAN FRANCISCO
Maritime Leases
As of June 30, 2013

	Annualized Revenue ⁽¹⁾	No. of Leases
Cargo	\$3,900,346	14
Harbor Services	2,046,257	5
Ship Repair	1,897,552	1
Various Maritime	1,890,568	32
Commercial Fishing	1,828,334	72
Passenger Cruise ⁽²⁾	180,000	1
Total	\$11,743,057	125

⁽¹⁾ Annualized revenue figures are based on the following: (a) current minimum rents as of June 30, 2013; (b) percentage rent for Fiscal Year 2012-13; and (c) agreement-based maritime user fees, such as wharfage and dockage.

⁽²⁾ Represents lease revenue from a single stevedoring company with which the Port contracts to operate its passenger cruise berths. Approximately 12 different cruise lines visit the Port on an annual basis. A significant amount of passenger cruise revenue is derived from dockage and wharfage fees.

Source: Port of San Francisco

The following table sets forth the top 10 Maritime tenants of the Port, in terms of revenue, for Fiscal Year 2012-13. The lease revenue from these 10 tenants accounted for \$9,808,000 or 66.0% of the total revenues generated by the Port's Maritime division and 12% of the Port's total Revenue.

Table 6
PORT OF SAN FRANCISCO
Top Ten Maritime Tenants and Customers
Fiscal Year ending June 30, 2013
(Revenues in Thousands)

Customer/Tenant Name	Revenue⁽¹⁾	Percent of Maritime Revenue⁽²⁾	Percent of Total Revenue⁽³⁾	Use
BAE Systems San Francisco Ship Repair, Inc.	\$1,827	12.3%	2.2%	Ship Repair
Princess Cruises ⁽⁴⁾	1,719	11.6	2.1	Passenger Cruises
Hanson Aggregates Mid-Pacific, Inc.	1,702	11.5	2.1	Maritime Terminals (Dry Bulk Cargo)
San Francisco Bar Pilots Benevolent & Protective	1,258	8.5	1.6	Maritime Layberthing Operations
CEMEX Construction Materials Pacific, LLC	911	6.1	1.1	Maritime Terminals (Dry Bulk Cargo)
Bode Gravel Company	630	4.2	0.8	Maritime Terminals (Dry Bulk Cargo)
California Sealift Terminals, Inc.	520	3.5	0.6	Maritime Layberthing Operations
Darling International, Inc.	447	3.0	0.5	Maritime Terminals (Liquid Bulk Cargo)
SF Bay Area Water Emergency Transportation Authority	402	2.7	0.5	Excursions/Ferry
Crosslink, Inc.	392	2.6	0.5	Warehouse (Maritime), Office and Parking
Total	\$9,808	66.0%	12.0%	

⁽¹⁾ Amounts represent tenant billings net of certain revenue credits and allowances.

⁽²⁾ Maritime revenue for Fiscal Year 2012-13 was approximately \$14.86 million.

⁽³⁾ Port operating revenue for Fiscal Year 2012-13 was approximately \$81.5 million.

⁽⁴⁾ Princess Cruises is a customer of the Port. The Port's stevedoring tenant for its cruise facilities is Metro Cruises.

Source: Port of San Francisco

Cargo

The primary Port cargo facilities are the 69-acre general cargo terminal at Pier 80 and bulk terminals at Piers 90, 92 and 94.

The Port competes in the bulk and neo-bulk cargo markets, having ceased handling containerized cargoes in 2005 due to high operating costs and low container volumes. The Port's shift in marketing focus resulted in terminal agreements and leases at Piers 90, 92 and 94 with four different companies handling

construction aggregates imported primarily from Canada. In 2013, 1.2 million tons of aggregate sand crossed San Francisco terminals, making it the Port's leading commodity.

The Port handles neo-bulk cargoes at Pier 80 including steel coils, rebar, structural steel, lumber and project cargoes. West Coast cargo volumes have been negatively impacted as international trade has slowed due to the world-wide economic recession. Pier 80 is one of the last remaining ocean terminals in the Bay Area handling non-containerized general cargo, and the Port is aggressively marketing the facility to leading shippers with the expectation that cargo volumes will begin to increase as the economy improves.

In January 2009, the Port hired CBRE Consulting and Martin Associates to examine current and future Port cargo markets. This analysis indicated that the Port should continue to focus on bulk cargoes, which should continue to be a stable and profitable market, while the breakbulk market may continue to be extremely sensitive to world market conditions.

Passenger Cruises

One of the Port's leading maritime industries is commercial passenger cruises. From 2007 to 2013 there was a 15.2% increase in the volume of cruise passengers on a calendar year basis (from 184,935 in 2007 to 213,020 in 2013). The Port has been actively marketing itself to the cruise industry in order to attract more cruise calls and new cruise ship lines to San Francisco. In 2013, there were 213,020 passengers on a total of 64 cruise ship calls, which generated approximately \$2.6 million in revenues to the Port. In Fiscal Year 2013-14, the Port expects to have a total of nine cruise lines calling. On average, approximately 5,000 passengers and crewmembers pass through the cruise terminal whenever a cruise ship is in port. Cruise vacations have continued to be a strong vacation option, with cruise lines reporting occupancy of close to 100% for ships sailing out of San Francisco.

The Port has been a home port for Alaska cruises since 1969, and more recently for Mexico and Hawaii round trips. The Port also welcomes world cruises, coastal itineraries, and repositioning calls. Competing West Coast cruise ports include Los Angeles, Long Beach, and San Diego to the south, and Seattle and Vancouver, Canada, to the north. These ports have a geographic advantage because of their relative proximity to either Mexico or Alaska, which allows them to offer round-trip cruises of seven days or less. San Francisco's round-trip cruises to Mexico, Alaska, and Hawaii are 10 to 15 days in duration, which appeals to a narrower segment of the market. However, the Port has the benefit of offering a convenient debarkation to the Bay Area region.

The Port's current primary cruise terminal, Pier 35, is within walking distance of some of the City's most popular visitor destinations, including Fisherman's Wharf, Pier 39, and the Alcatraz ferry. The James R. Herman Cruise Terminal at Pier 27 will become the primary cruise terminal in September 2014 and is expected to feature the highest design, energy, and environmental standards, including a shoreside power hook-up for cruise ships. See "THE SERIES 2014 PROJECTS." The Port's Pier 70 shipyard offers cruise lines the expert technical support they require and the largest floating repair drydock in North America (see "Ship Repair" below).

Commercial Fishing and Fish Processing

The Port is the center of the commercial fishing industry in northern California. The Hyde Street Harbor, a \$7.5 million fishing marina completed in 2001, and Fisherman's Wharf together accommodate more than 200 fishing fleet vessels. The region's major fish processors are located at specialized facilities in Fisherman's Wharf and the adjacent Pier 45 Commercial Fishing Center. The Port berths approximately 180 boats between Hyde St. and Fisherman's Wharf harbor. Major local fisheries off of the Northern California coast include Dungeness crab, salmon and herring. On a typical day, 40% of the fish processed arrives from local fishermen, 45% by truck from Washington, Oregon and Southern California and 20% by air freight. Approximately 80% of the fish processed is delivered daily within San Francisco to restaurants, grocery stores

and specialty retailers. The remainder is delivered to Marin County and the Ferry Building. Federal limitations have been imposed on both the salmon and herring seasons in an effort to protect both species from overfishing and environmental impacts exacerbated by below average rainfall. Fish processing has remained active, however, as a significant portion of seafood processed at the Port is flown into San Francisco for processing, as opposed to being caught in local waters.

Ferry Operations

The Port serves as the central terminus for Bay Area commuter ferry routes. The Port built, maintains and operates two ferry terminals; one at the Ferry Building and one at China Basin near AT&T Park. The Golden Gate Bridge Highway and Transportation District operates a terminal at the Ferry Building for Marin County commuters. In 2013, over 4.4 million passengers passed through the Port's ferry terminals. The ferry system is an important emergency transportation system for the Bay Area and has proved invaluable during closures of the Bay Bridge or BART transit worker strikes. Future expansion of ferry facilities is being planned by the Port and the San Francisco Bay Water Emergency Transit Authority.

Harbor Services

The Port is also the center of Northern California's harbor service industry and leases facilities to tenants providing harbor services to the maritime industry throughout the Bay Area including the Ports of Oakland, Redwood City, Richmond, Benicia, West Sacramento and Stockton. These ancillary operators include numerous tug and tow operators, the San Francisco Bar Pilots, and contractors providing lay berthing to Maritime Administration Ready Reserve ("MARAD") ships. Maritime rents and real estate leases and fees, collected both from contractors that provide lay berthing to ships and from vessel owners requiring temporary berthing, comprise the revenues included in this category.

Ship Repair

The Port's ship repair yard at Pier 70 is operated by BAE Systems Ship Repair – San Francisco ("BAE Systems") a multinational firm that offers engineering, advanced technology and other technical services and which operates a number of shipyards in the United States including San Francisco and San Diego, California, Honolulu, Hawaii and Norfolk, Virginia. BAE Systems provides repair services to cruise ships, petroleum tanker vessels, bulk carriers, container ships, military reserve vessels, commercial tugs and barges, and local bay traffic for maintenance, alterations and repairs. BAE Systems leases over 15 acres of land and over 17 acres of water from the Port. Included in the tenant's leasehold are eight cranes and two floating drydocks, all owned by the Port, including the largest floating dry dock on the West Coast. The next closest large-scale dry docks are located in Portland, Oregon. In 2007, the Port entered into an agreement with BAE Systems and Princess Cruises that resulted in a \$5 million enhancement of the largest drydock at Pier 70. BAE Systems has four years remaining on its lease with the Port pursuant to which the Port receives a percentage rent subject to an annual minimum of \$1.05 million. The Port has agreed to provide BAE Systems with rent credits that will apply as an offset of percentage rent payments of up to \$3 million over ten years to reimburse some of the drydock enhancement costs.

PORT FINANCIAL OPERATIONS

Introduction and Overview

The Audited Financial Statements of the Port Commission (the "Financial Statements") for the Fiscal Year ended June 30, 2013 are attached as Appendix C. See Appendix C – "PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013." Such Financial Statements should be read in conjunction with the information below and in their entirety.

As shown in Table 12, Port operating revenues, which totaled approximately \$81.5 million in Fiscal Year 2012-13, were derived primarily from real estate and maritime operations. Real estate revenues, which are made up of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, represented approximately 75% of Port operating revenues in Fiscal Year 2012-13. Maritime revenues, which are derived from cargo shipping (dry and liquid bulk cargo, and break bulk cargo), dry dock and ship repair services, passenger cruise ship activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities, comprised approximately 18% of Port operating revenues in Fiscal Year 2012-13. Most of Port real estate revenues are rental revenues derived from long-term leases of Port facilities, providing a practical constraint on the Port's ability to increase annual revenues absent significant tenant turnover and/or capital investment in the creation or improvement of rental facilities. Port operating revenues increased by \$15.0 million, or 23%, between Fiscal Year 2008-09 and Fiscal Year 2012-13. See "Historical Operating Results" below. Other sources of funding available to the Port include fund balances from year-end savings and revenue surpluses, grants, Port Commission revenue bond proceeds, City general obligation bond proceeds, IFD Revenues (if any Infrastructure Financing District bonds are issued), tax increment revenue, tenant contributions and developer partner equity. These other sources are used primarily for capital projects. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

Port operation and maintenance expenses, which totaled approximately \$63.6 million in Fiscal Year 2012-13, include personnel costs, charges for use of City services provided by other City departments, contractual services, office expenses, utility costs, materials and supply costs, discretionary expenses, judgments, claims and litigation expenses, and other general operating expenses. In Fiscal Year 2012-13, the largest of those categories were personnel expenses, representing approximately 52% of total operation and maintenance expenses, and charges for use of City services, representing approximately 27% of the total. Operation and maintenance expenses also include the costs of any repair and maintenance of Port facilities that do not extend the useful life or expand the productive capacity of a capital asset. Port operation and maintenance expenses increased by \$6.0 million, or 11%, between Fiscal Year 2008-09 and Fiscal Year 2012-13. Annual deferred maintenance expenses relating to older Port facilities are not treated as operation and maintenance expenses, but rather as capital expenditures, and are generally payable from Net Revenue or other available sources after provision for payment of principal and interest on revenue bonds of the Port Commission. See "Operation and Maintenance Expenses" below.

In February 2008, the Port Commission adopted Resolution 08-12, which directs the Port to budget a 15% operating reserve defined as a percentage of operating expenses. Commencing with the Port's Fiscal Year 2008-09 budget, the 15% operating reserve has been included in every adopted budget, including the current biennial budget for Fiscal Years 2012-13 and 2013-14. See "Port Commission Operating Reserve Policy and Liquidity."

Port Commission Operating and Capital Budget Processes

As a department within the City and pursuant to Charter requirements, the Port prepares a biennial Operating and Capital Budget. As part of the biennial budget process, the Port is on a "fixed" two-year budget and only amends the budget on alternating years if revenues or expenditures are 5% above or below projections.

The Port's biennial budget is a detailed operating plan that includes the programs, projects, services, and activities to be provided during the two fiscal years, estimated resources available for appropriation, including revenues, fund balance, interdepartmental work order recoveries and other income, and the estimated changes to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The Charter prohibits expending funds for which there is no legal appropriation.

The Capital Budget prioritizes projects submitted for funding and identifies the various sources of funding. The Capital Budget also details previously approved capital projects that are in progress, and

provides the funding status of approved projects. Funding for capital projects is generated from grants, operating fund surpluses, general obligation bond funds, the Port's operating budget and Port Commission debt issuances. Each biennial capital budget includes capital expenditures on Port projects and Portwide activities such as dredging of the Bay floor along the waterfront, facility condition surveys and emergency facility repair. Many of the capital projects address deferred maintenance and facility improvement needs for the Port's maritime and commercial properties. Some of the capital projects create new public amenities such as parks. Most capital projects typically do not include seismic upgrades to the substructure or super-structure of the facilities. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

The Operating and Capital Budgets are approved by the Executive Director and then submitted to the Port Commission. Upon approval by the Port Commission, the budget is submitted to the Mayor for approval by May 1 of every other year and then forwarded to the Board of Supervisors for review and approval by August 1 of every other year. The Board of Supervisors can make certain reductions to the budget in their sole judgment. The Port's Executive Director is authorized by the Port Commission to make non-material changes to the operating budget. Significant expenditure increases to the approved budget require Port Commission and Board of Supervisors approval.

Port Commission Operating Reserve Policy and Liquidity

In February 2008, the Port Commission adopted Resolution 08-12, which directs the Port to budget a 15% operating reserve defined as a percentage of operating expenses. Resolution 08-12 further states that the operating reserve should not fall below an amount equal to the estimated cost of two months' expenditures on essential expenses, including salaries, fringe benefits, rent, debt service, essential materials and supplies, and payment of outstanding invoices for professional services. The Resolution allows the Port's Executive Director to use the operating reserve for unforeseen operating expenses, provided prior authorization is obtained from the Port Commission, the Mayor and the City's Board of Supervisors. Prior authorization to use the operating reserve is not required if the funds are to be used to address an emergency that has been declared by the Mayor, or to address other emergencies on Port property that requires an immediate response. Commencing with the Port's Fiscal Year 2008-09 budget, the 15% operating reserve has been included in every adopted budget, including the current biennial budget for Fiscal Years 2012-13 and 2013-14. The operating reserve has been maintained at 15%. The operating reserve has not been drawn upon since first being established in Fiscal Year 2008-09.

Substantially all of the Port's cash is held in the City Treasurer's pooled account of cash and investments. The higher level of capital spending in recent years has decreased the unrestricted cash balance from a peak of \$98.9 million at June 30, 2011 to \$80.4 million at June 30, 2013. With Fiscal Year 2012-13 Operations and Maintenance expenses at \$63.6 million, the unrestricted cash position at June 30, 2013 represents 461 days of cash on hand. See "Historical Condensed Statement of Net Position."

Fiscal Year 2013-14 Operating and Capital Budgets

The Port's Fiscal Year 2013-14 budget of \$105.4 million consists of \$70.3 million for operating expenses, \$8.6 million to fund annual projects (stand-alone small maintenance and other noncapital projects such as technology projects the duration of which is expected to be one year), \$14.0 million for capital projects, \$2.0 million in funds that are designated for capital projects in future years, and a \$10.5 million operating reserve. \$81.7 million or 77% of the Port's \$105.4 million budget is derived from the revenues the Port generates from the use of its property, including rental income from real estate activities, parking related fees and fines, berthing fees, and permitting fees. These revenues are sufficient to cover the Port's operating and maintenance expenses, including the Port's annually funded projects, as well as debt service payments.

The Port's Fiscal Year 2013-14 Capital Budget, shown as Capital Projects in the table below, provides \$14.0 million in funding for 13 capital projects. Such funding is available from Port Fund Balance, which is derived from year-end savings and revenue surpluses. In addition to these newly funded projects, the Port has

other capital projects that were funded in prior years and are in various stages of completion. The Port uses the following criteria to determine which projects to recommend to the Port Commission for funding: (i) addresses health and safety or regulatory issues; (ii) reduces potential significant liability to the Port; (iii) promotes commerce, navigation or fisheries; (iv) attracts people to the waterfront; (v) promotes natural and cultural resources; (vi) preserves existing Port revenues and (vii) generates additional revenues for the Port. See "CERTAIN RISK FACTORS – Condition of Port Facilities" herein, for a discussion of the Port's costs related to its capital improvements and deferred maintenance needs.

Table 7
PORT OF SAN FRANCISCO
Fiscal Year 2013-14 Budget
(Amounts in Millions)

Sources	Amount
Estimated Fund Balance ⁽¹⁾	\$23.7
Revenue	<u>81.7</u>
Total Sources	\$105.4
 Uses	
Operating Expenses	\$70.3
Annual Projects	8.6
Capital Projects	14.0
Designated to Future Capital Projects	2.0
Operating Reserve	<u>10.5</u>
Total Uses	\$105.4
Operating Reserve as a Percent of Operating Expenses	15.0%

⁽¹⁾ Estimate of accumulated surplus after provision for 15% operating reserve.

Source: Port of San Francisco.

Historical Condensed Statement of Net Position

Table 8 below sets forth the Port's condensed summary statement of net position for the Fiscal Years 2008-09 through 2012-13, which is compiled from the audited financial statements of the Port. Audited financial statements of the Port Commission for the fiscal years ended June 30, 2013 and 2012 are attached as Appendix C.

During the last five fiscal years, the Port Commission has adopted policies, pursued legislative changes and positioned its budget and capital plans for capital investment and strategically focused on revenue enhancements. A portion of the investment in capital assets is funded from the issuance of debt which has resulted in the increases to long-term obligations, including the Series 2010 Bonds. Restricted assets are comprised of unexpended bond proceeds, including proceeds from City general obligation bonds for park and open space improvements on Port property. The higher accounts payable and other liabilities in recent years reflect the impact of obligations incurred in connection with higher capital activities.

Table 8
PORT OF SAN FRANCISCO
Condensed Summary Statement of Net Position
For the Fiscal Years Ending June 30,
(Amounts in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Unrestricted cash and investments, held in					
City Treasury	\$85,094	\$91,793	\$98,905	\$92,408	\$80,366
Other unrestricted current assets	6,786	9,389	7,502	19,604	7,632
Restricted current assets	16,422	54,933	49,428	44,796	46,492
Total current assets	<u>108,302</u>	<u>156,115</u>	<u>155,835</u>	<u>156,808</u>	<u>134,490</u>
Capital assets ⁽¹⁾	258,754	261,039	263,834	294,718	409,032
Other assets	869	1,529	1,654	1,745	1,853
Total assets	<u>367,925</u>	<u>418,683</u>	<u>421,323</u>	<u>453,271</u>	<u>545,375</u>
Accounts payable and accrued liabilities ⁽²⁾	7,876	9,195	7,440	18,319	44,081
Current portion of long-term obligations	4,473	760	956	992	1,068
Other current liabilities	10,847	10,665	11,982	16,627	16,100
Total current liabilities	<u>23,196</u>	<u>20,620</u>	<u>20,378</u>	<u>35,938</u>	<u>61,249</u>
Long-term obligations - net of current maturities	3,590	39,215	38,269	37,285	36,601
Other noncurrent liabilities ⁽³⁾	51,006	57,643	53,169	44,572	84,359
Total liabilities	<u>77,792</u>	<u>117,478</u>	<u>111,816</u>	<u>117,795</u>	<u>182,209</u>
Net position	<u>\$290,133</u>	<u>\$301,205</u>	<u>\$309,507</u>	<u>\$335,476</u>	<u>\$363,166</u>

⁽¹⁾ The Fiscal Year 2012-13 capital asset total reflects major capital projects that were completed and put into service during the fiscal year, including (i) Phase I of the James R. Herman Cruise Terminal at Pier 27, (ii) substructure improvements to Pier 15, (iii) the Brannan Street Wharf and Pier 43 Bay Trail Link open space projects, (iv) various capital improvements to Piers 19, 23, 29 and 30-32 that were required as part of the City's agreement to host the 34th America's Cup yacht races, and (v) the installation of shoreside power at Pier 70.

⁽²⁾ The Fiscal Year 2011-12 total includes approximately \$8.7 million in accounts payable and contract retention accruals related to certain Port capital projects including, Phase I of the James R. Herman Cruise Terminal at Pier 27, the Brannan Street Wharf and Bayfront Park projects, shoreside power at Pier 70, the Fisherman's Wharf Harbor Joint Operations and Security center, and security fencing project, among others and an accrual of AC34-related fee charge for \$1.0 million.

The total for Fiscal Year 2012-13 includes \$26.8 million in funds advanced to the Port from the City's commercial paper ("CP") program. These advances were used for CP draws used to fund Port capital project expenditures, principally the James R Herman Cruise Terminal at Pier 27, and for related CP program costs. In October 2013 these CP advances were repaid from proceeds received from the \$37.7 million in Certificates of Participation that were issued by the City on behalf of the Port. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

⁽³⁾ The Fiscal Year 2012-13 other noncurrent liabilities total reflects approximately \$45 million in deferred credits provided to the Exploratorium, a Port tenant, for substructure improvements that they completed. These rent credits will be amortized over the remaining term of their lease.

Source: *Port of San Francisco*.

Port Operating Revenues – General

The Port's operating revenues are derived from real estate and maritime operations: (i) real estate revenues, which are made up of ground leases and other short and long-term leases of Port property to non-maritime industrial, commercial, retail, office and other business enterprises, and (ii) maritime revenues, which

are derived from cargo shipping (dry and liquid bulk cargo, and break bulk cargo), dry dock and ship repair services, passenger cruise ship activities, warehousing, harbor services, commercial fishing and other miscellaneous maritime activities.

The Port's operating revenues are primarily a function of the terms of leases and agreements the rates of which are determined chiefly by the San Francisco real estate market. Increasing the Port's rental income often requires the Port and/or its tenant to invest in repairs and upgrades to the Port's property. If the tenant paid for the improvements, the Port typically is able to increase the rental rates only after the tenant's contributions have been amortized. As previously noted, the Port does not receive tax revenues to support its operations.

The following table sets forth information about the Port's operating revenues from maritime and commercial and industrial real estate operations, based on an annualization of minimum rents of Port tenants as of June 30, 2013 and percentage rents received in Fiscal Year 2012-13.

Table 9
PORT OF SAN FRANCISCO
Major Port Operating Revenues⁽¹⁾
June 30, 2013

	Annualized Revenue ⁽²⁾		Square Footage	
	Amount	Percent	Size	Percent
Real Estate				
Industrial ⁽³⁾	\$17,349,363	24.32%	8,454,640	43.10%
Ground Lease ⁽³⁾	11,844,753	16.61	3,002,306	15.30
Restaurant & Retail	8,970,493	12.57	271,108	1.38
Parking	12,872,878	18.04	1,187,364	6.05
Office	<u>4,614,399</u>	<u>6.47</u>	<u>269,798</u>	<u>1.38</u>
Subtotal Real Estate	\$55,651,886	78.01%	13,185,216	67.21%
Maritime				
Cargo	\$4,746,928	6.65%	2,626,155	13.39%
Commercial Fishing	2,174,925	3.05	254,953	1.30
Passenger Cruise	3,085,947	4.33	241,447	1.23
Various Maritime	1,735,451	2.43	2,198,161	11.20
Harbor Services	2,046,257	2.87	192,705	0.98
Ship Repair	<u>1,897,552</u>	<u>2.66</u>	<u>920,354</u>	<u>4.69</u>
Subtotal Maritime	\$15,687,060	21.99%	6,433,775	32.79%
Total	\$71,338,946	100.00%	19,618,991	100.00%

⁽¹⁾ Table only includes major revenues from tenancy and operating agreements and maritime user fees (*i.e.*, wharfage and dockage). Revenues from miscellaneous sources (*i.e.*, parking meters and parking fines) are not included. Total operating revenue for Fiscal Year 2012-13 was approximately \$81.5 million.

⁽²⁾ The Port calculates annualized lease revenue based on current base rents as of June 30, 2013 and Fiscal Year 2012-13 percentage rents in excess of base rent amounts. Revenue amounts are net of certain rent credits.

⁽³⁾ During Fiscal Year 2012-13, approximately 2.2 million square feet of leased space was reclassified from the category of ground lease to that of industrial. The former San Francisco Redevelopment Agency ("SFRDA") leased several parcels of land from the Port under long term ground leases and developed them into housing, retail, marina operations and other uses. Beginning July 1, 2012, this area came under Port management.

Source: *Port of San Francisco*.

The following table sets forth the top ten tenants and customers (both maritime and non-maritime) of the Port for Fiscal Year 2012-13.

Table 10
PORT OF SAN FRANCISCO
Top Ten Port Tenants and Customers
Fiscal Year ending June 30, 2013
(Revenues in Thousands)

Tenant Name	Revenue⁽¹⁾	Percent of Operating Revenue⁽²⁾	Use	Expiration
China Basin Ballpark Co.	\$6,167	7.6%	Ballpark Site and Related Parking	12/31/2022 ⁽³⁾
Pier 39 Ltd. Partnership	3,268	4.0	Retail/Entertainment	12/31/2042 ⁽⁴⁾
Priority Parking-CA	2,468	3.0	Parking	Expired ⁽⁵⁾
SF Municipal Transportation Agency	2,447	3.0	Storage, Office, and Parking	Expired ⁽⁶⁾
Central Parking System	2,373	2.9	Parking	Expired ⁽⁷⁾
Recology San Francisco ⁽⁸⁾	2,238	2.8	Recycling	7/31/2023 ⁽⁹⁾
Transbay Cable, LLC	1,935	2.4	Utility (Electric Power Transmission)	11/21/2035
BAE Systems – SF Ship Repair, Inc	1,827	2.2	Ship Repair	12/16/2017
Princess Cruises	1,719	2.1	Passenger Cruises	N/A ⁽¹⁰⁾
Hanson Aggregates Mid-Pacific	<u>1,702</u>	<u>2.1</u>	Maritime Terminals (Dry Bulk Cargo)	8/31/2018 ⁽¹¹⁾
Total	\$26,144	32.1%		

⁽¹⁾ Amounts represent tenant billings net of certain revenue credits and allowances.

⁽²⁾ Operating revenue for Fiscal Year 2012-13 was approximately \$81.5 million.

⁽³⁾ Tenant has multiple leases. The expiration date shown is for the stadium lease (approximately 23% of tenant revenues). The primary parking lot lease expires March 31, 2017 (77% of revenues). The parking lot may be included in a future development project, under which it is currently anticipated that parking spaces and parking rent to the Port will be retained. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

⁽⁴⁾ Tenant has multiple leases. The expiration date shown is for the tenant's primary lease (99% of tenant revenues). The tenant's other leases expire March 31, 2016.

⁽⁵⁾ Tenant has multiple leases, all of which are expired, but have continued under month-to-month holdover provisions. The Port is preparing a Request for Proposals to competitively bid these parking lots.

⁽⁶⁾ The Agency terminated its primary lease on June 30, 2013 (approximately 79% of tenant revenues). The vacated space has been largely re-leased to other tenants. Remaining Agency leases are expired, but have continued under month-to-month holdover provisions.

⁽⁷⁾ Lease expired on March 31, 2012 and is continuing under month-to-month holdover provisions. The Port is preparing a Request for Proposals to competitively bid the lease of these parking lots.

⁽⁸⁾ Formerly known as SF Recycling and Disposal, Inc.

⁽⁹⁾ Tenant has two leases. Expiration date shown is for the primary lease (75% of tenant revenues). The tenant's other lease expires July 31, 2014 (25% of tenant revenues).

⁽¹⁰⁾ Princess Cruises does not lease property. Metro Cruises is the Port's stevedoring tenant for its cruise facilities and Princess Cruises is a passenger cruise line customer. The revenue represents fees paid to the Port based on cruise ship call duration and cruise passenger volume.

⁽¹¹⁾ Tenant has multiple leases. Expiration date shown is for the primary lease. The tenant's other leases expire February 28, 2019 or are month to month.

Source: Port of San Francisco.

Operation and Maintenance Expenses

General. The Port's Operation and Maintenance Expenses include the following costs: personnel, office expenses, utility costs, materials and supply costs, discretionary expenses, litigation expenses, payments made to the City for services of other City departments, and other general operating expenses. Any maintenance and repair work to Port facilities that does not extend the useful life and/or expand productive capacity of a capital asset is charged to operating expense as incurred (and as such, such costs are included as Operation and Maintenance Expense, as shown in Table 11 below and as discussed herein). The Port has significant deferred maintenance expenses relating to its older facilities, but due to the advanced age of these facilities and the great magnitude of rehabilitation that is required to bring such properties to a current state of repair, such costs are not treated as Operation and Maintenance Expense, but rather as capital expenditures, payable from Net Revenue after provision for payment of principal of and interest on the Bonds. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY" herein.

Port Payments to the City and County of San Francisco. The Port reimburses the City for services provided to the Port by various City departments. Such amounts are included in Operation and Maintenance Expenses as "Charges for Use of City Services" in the table set forth below. Examples of City services include fire protection (fire boat and crew), police protection, performance audits of Port operations by the City Controller's Office including tenant concession audits, insurance procured through the City's Risk Manager, and legal services provided by the City Attorney's Office. In Fiscal Year 2012-13, these expenses totaled \$17.2 million or approximately 22% of the Port's total Operations and Maintenance Expenses. The Fiscal Year 2012-13 total included \$3.2 million in pass through charges for such items as workers' compensation, insurance, electricity, and telephone service.

The Port also reimburses the City for indirect costs based on the City's County Wide Indirect Cost Allocation Plan. Examples of these City services include materials, supplies and equipment procurement, document processing and financial reporting, and payroll services. In [Fiscal Year 2011-12 and] Fiscal Year 2012-13 the Port did not contribute to the City's overhead expenses due to a credit from overpayment in prior years. However, in Fiscal Year 2013-14 the Port will pay \$0.3 million for its share of the City's overhead expenses.

The following table sets forth historical Operation and Maintenance Expenses of the Port, based on the categories of expenses discussed above.

Table 11
PORT OF SAN FRANCISCO
Historical Operations & Maintenance Expenses
For Fiscal Year Ended June 30,
(Amounts in Thousands)

	2009	2010	2011	2012	2013
Operations & Maintenance					
Personnel Expense	\$29,239	\$29,324	\$30,092	\$32,318	\$32,894
Citywide Overhead	538	261	100	0	0
Other Current Expenses ⁽¹⁾	2,868	2,778	2,794	3,355	3,802
Professional & Specialized Services	4,417	3,336	3,454	3,826	4,887
Utility Expenses	2,004	1,963	1,769	2,111	2,040
Materials & Supplies	1,618	1,311	1,462	1,051	1,548
Judgments, Claims & Litigation	702 ⁽²⁾	353	308	333	427
Office Rent	3,097	3,213	3,032	2,882	2,892
Charges for Use of City Services	12,771	16,021	14,495	16,395	17,221
Other Operating & Maintenance Expense (net)	<u>320</u>	<u>197</u>	<u>214</u>	<u>1,231⁽³⁾</u>	<u>715⁽⁴⁾</u>
Subtotal	\$57,574	\$58,757	\$57,720	\$63,502	\$66,426
Non-cash adj. for estimated pollution remediation costs	<u>0</u>	<u>0</u>	<u>(5,850)</u>	<u>(8,032)</u>	<u>(2,810)</u>
Total Operations & Maintenance Exp.	\$57,574	\$58,757	\$51,870	\$55,470	\$63,616

⁽¹⁾ The reported expense for Fiscal Years 2010-11 through 2012-13 excludes the effect of a credit that represented a noncash adjustment to account for a reduction in estimated future environmental costs. These credits totaled \$5.85 million, \$8.032 million and \$2.81 million for Fiscal Years 2010-11, 2011-12 and 2012-13, respectively.

⁽²⁾ The relatively high expense for Fiscal Year 2008-09 is due, in part, to the settlement of a claim from a Port tenant alleging breach of contract.

⁽³⁾ The increase in "other operating and maintenance expenses" for Fiscal Year 2011-12 results from a \$1 million payment to the America's Cup Event Authority for the use of plans and design drawings that they developed for repairs to and seismic upgrade of Piers 30-32.

⁽⁴⁾ The "other operating and maintenance expenses" for Fiscal Year 2012-13 reflects \$451,000 in fees paid to the City for the use of their commercial paper program to finance certain Port capital projects.

Source: Port of San Francisco.

Historical Operating Results

A summary of the Port Commission's historical results of operations as reported in the Port Commission's financial statements for the Fiscal Year 2008-09 through Fiscal Year 2012-13 are shown in the table set forth below.

Table 12
PORT OF SAN FRANCISCO
Historical Results of Operations
For Fiscal Year Ended June 30,
(Amounts in Thousands)

	2009	2010	2011	2012	2013
Operating Revenues:					
Maritime Operations					
Cargo	\$4,655	\$4,500	\$5,052	\$5,442	\$4,886
Ship Repair	975	875	927	1,706	1,553
Harbor Services	991	1,032	1,477	1,964	2,018
Cruise	1,924	1,716	1,903	2,266	2,825
Fishing	1,972	1,980	1,986	2,024	2,012
Other Marine	1,534	1,631	1,490	1,517	1,556
Miscellaneous	107	1	13	73	11
Total Maritime	\$12,158	\$11,735	\$12,848	\$14,992	\$14,861
Real Estate Operations					
Commercial/Industrial	\$41,506	\$39,956	\$42,221	\$42,883	\$43,266
Parking	10,697	11,958	15,105	17,159	17,774
Filming & Special Event Revenue	114	157	202	203	48
Miscellaneous	106	114	153	226	300
Total Real Estate Operations	\$52,423	\$52,185	\$57,681	\$60,471	\$61,388
Other Operating Revenues	1,558	2,659	1,737	1,797	5,263
Total Operating Revenues	\$66,139	\$66,579	\$72,266	\$77,260	\$81,512
Operating Expenses					
Operations & Maintenance	\$57,574	\$58,757	\$51,870	\$55,470	\$63,615
Depreciation & Amortization	13,349	13,760	14,695	15,070	16,367
Total Operating Expenses	\$70,923	\$72,517	\$66,565	\$70,540	\$79,982
Operating Income	(\$4,784)	(\$5,938)	\$5,701	\$6,720	\$1,530

[Table Continued on Next Page]

	2009	2010	2011	2012	2013
Other Income & (Expenses)					
Interest & Investment Income	\$2,595	\$2,313	\$1,508	\$2,559	\$2,411 ⁽¹⁾
Interest Expense	(544)	(1,056)	(2,178)	(1,767)	(1,440)
Pier Demolition & Other Dispositions	(14)	(2,203)	10	(7,648) ⁽²⁾	(5,821) ⁽³⁾
Other	15	1,822	234	9,150 ⁽⁴⁾	7,565 ⁽⁵⁾
Total Other Income/(Expense) Net	\$2,052	\$876	(\$426)	\$2,294	\$328
Net Income/(Loss) Before Capital Contribution	(\$2,732)	(\$5,062)	\$5,275	\$9,014	\$1,858
Capital Grants and Other Contributions	5,203	16,134	3,027	16,955	25,832
Change in Net Assets	\$2,471	\$11,072	\$8,302	\$25,969	\$27,690

Source: Port of San Francisco.

Historical Debt Service Coverage

The following table sets forth historical information relating to the Port's debt service coverage.

Table 13
PORT OF SAN FRANCISCO
Historic Debt Service Coverage
For Fiscal Years Ended June 30,
(Amounts in Thousands)

	2009	2010	2011	2012	2013
Revenues ⁽¹⁾					
Maritime	\$12,158	\$11,735	\$12,848	\$14,992	\$14,861
Real Estate ⁽⁵⁾	52,423	52,185	57,681	\$60,471	61,388
Interest Income ⁽²⁾	1,480	880	962	\$1,084	848
Other Revenue ⁽³⁾	<u>1,573</u>	<u>3,557</u>	<u>1,960</u>	<u>\$1,771</u>	<u>5,263</u>
Total Revenues	\$67,634	\$68,357	\$73,451	\$78,318	\$82,360
Operating Expenses ⁽¹⁾⁽⁴⁾					
Operations & Maintenance	<u>\$54,563</u>	<u>\$56,305</u>	<u>\$55,268</u>	<u>\$60,856</u>	<u>\$63,760</u>
Total Operating Expenses	\$57,739	\$58,922	\$55,268	\$60,856	\$63,760
Net Revenue ⁽⁵⁾	\$13,071	\$12,052	\$18,183	\$17,462	\$18,600
Debt Service on Bonds ⁽⁶⁾	\$4,407	\$4,396	\$2,843	\$2,845	\$2,846
Net Revenue Coverage on Bonds (times) ⁽⁷⁾	2.97x	2.74x	6.40x	6.14x	6.54x
Debt Service on Subordinate Obligations ⁽⁸⁾	\$232	\$297	\$427	\$427	\$474
Net Revenue Coverage on Bonds and Subordinate Obligations (times) ⁽⁹⁾	2.82x	2.57x	5.56x	5.34x	5.60x

(1) Revenues and expenses were determined in accordance with the Master Indenture. For comparative purposes, revenues and expenses for Fiscal Years 2008-09 and 2009-10 were adjusted to conform with the Master Indenture. With this exception, the amounts are derived from financial reports which have been audited and adjusted for elements discussed in footnotes 2 and 4.

(2) Represents interest income earned on funds on deposit with the City Treasurer and late charges received from tenants.

(3) The revenues reported for Fiscal Year 2012-13 include the following: a) a \$1,310,000 payment in lieu of rent received from the City pursuant to an MOU in which the City agreed to compensate the Port for lost rent resulting from the City's hosting of the 34th America's Cup yacht races, and b) a \$1,878,000 increase in the amount of fees and Port expense recoveries received from developers in connection with contract negotiations for future development projects.

(4) Operations & Maintenance Expenses excludes non-cash OPEB expenses, and accretion expenses, pursuant to the Indenture which took effect with the issuance of the Series 2010 Bonds.

(5) Higher Net Revenue reported for Fiscal Year 2010-11 and subsequent years is largely derived from higher Total Revenues reflecting, in part: (i) revenues from a new license for the use and maintenance of a subterranean high voltage transmission cable that runs through Port property; and (ii) higher parking revenues generated from several parking lot operating agreements that were put out to competitive bid.

(6) Represents debt service on the Series 2004 Refunding Revenue Bonds for Fiscal Years 2008-09 and 2009-10, and debt service on the Series 2010 Bonds for Fiscal Years 2010-11 through 2012-13.

(7) Represents Net Revenue coverage on the Series 2004 Refunding Revenue Bonds for Fiscal Years 2008-09 and 2009-10, and Net Revenue coverage on the Series 2010 Bonds for Fiscal Years 2010-11 through 2012-13.

(8) Includes the loan from the California Division of Boating and Waterways, the SFPUC loan and the certificates of participation issued by the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

(9) The Indenture does not require the Port to maintain any level of Net Revenue coverage on Subordinate Bonds or other subordinate obligations.

Source: Port of San Francisco.

Projected Debt Service Coverage*

The projected debt service coverage ratios of Net Revenue to debt service on the Bonds shown in the following table are calculated in accordance with the Indenture. Such information constitutes "forward looking statements." A discussion of the major assumptions that underlie the revenue projections reflected in the following table is set forth below, and a discussion of certain risk factors affecting the achievement of Revenue and Net Revenue is set forth under the caption "CERTAIN RISK FACTORS" below, but no assurance is given that actual results will meet the Port Commission's forecasts in any way. Such discussion is not intended to address all possible risks and uncertainties relating to the achievement of such results. Changes in the circumstances that form the bases for the assumptions used in developing these projections as well as unanticipated events may occur subsequent to the date of this Official Statement. Differences between forecasted results and actual results may be material. See "CERTAIN RISK FACTORS – Uncertainties of Projections and Assumptions; Forward Looking Statements."

Table 14
PORT OF SAN FRANCISCO
Projected Debt Service Coverage
For Fiscal Years Ending June 30,
(Amounts in Thousands)

	2014	2015	2016	2017	2018
Revenue					
Maritime	\$16,283	\$18,032	\$19,159	\$19,933	\$20,365
Real Estate	63,039	68,053	71,725	74,872	76,651
Interest Income ⁽¹⁾	777	777	900	1,064	1,228
Other Revenue ⁽²⁾	2,967	1,126	1,151	1,177	1,203
Total Revenues	83,066	87,988	92,935	97,046	99,447
Operating Expenses					
Operations & Maintenance ⁽³⁾	63,881	66,599	68,949	70,950	73,266
Total Operating Expenses	63,881	66,599	68,949	70,950	73,266
Net Revenue	\$19,185	\$21,389	\$23,986	\$26,096	\$26,181
Total Bonds Debt Service ⁽⁴⁾	\$2,847	\$4,549	\$4,552	\$4,547	\$4,551
Projected Net Revenue Coverage on Series					
2010 Bonds and Series 2014 Bonds (times)	6.74x	4.70x	5.27x	5.74x	5.75x
Total Debt Service on Subordinate					
Obligations ⁽⁵⁾	\$3,359	\$3,179	\$3,076	\$3,028	\$2,966
Net Revenue Coverage on Bonds and					
Subordinate Obligations (times) ⁽⁶⁾	3.09x	2.77x	3.14x	3.45x	3.48x

(1) Includes interest income earned on funds on deposit with the City Treasurer plus late charges from tenants.

(2) Includes certain non-recurring permit fees and income from developers as well as other operating revenues. For Fiscal Year 2013-14 also includes reimbursement from the City for rental income lost as a result of hosting the 34th America's Cup yacht races.

(3) Excludes non-cash charges associated with providing other post-employment benefit (OPEB) of approximately \$2.67 million per year.

(4) Reflects debt service on the Port's Series 2010 Bonds and projected debt service on the Series 2014 Bonds.

(5) Includes the loan from the California Division of Boating and Waterways, the SFPUC loan and the certificates of participation issued by the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds and Other Obligations."

(6) The Indenture does not require the Port to maintain any level of Net Revenue coverage on Subordinate Bonds or other subordinate obligations.

Source: Port of San Francisco.

Effect on Revenues of Projects Funded, in part, by the 2014 Revenue Bonds. The Port expects to generate new revenues from the projects to be funded, in part, by the Series 2014 Bonds. More specifically, new revenues will be generated from: (i) special events and parking revenues from the new James R. Herman cruise terminal at Pier 27, (ii) a new cruise passenger facility charge that will be implemented upon the opening of the new terminal, and (iii) repaired pier facilities located in the Port's northern waterfront. Revenues generated from these sources and included in the projections are as follows:

Table 15
PORT OF SAN FRANCISCO
Projected New Revenues from Series 2014 Bond-Funded Projects

Fiscal Year Ending <u>June 30,</u>	Revenues <u>(in 000s)</u>
2014	—
2015	\$1,534
2016	2,906
2017	3,503
2018	3,945

Source: Port of San Francisco.

Major Assumptions Relating to Revenues from Maritime Operations. Maritime revenues are projected to increase by approximately \$5.5 million or 3.7% from Fiscal Year 2012-13 to Fiscal Year 2017-18. The increase reflects increased rental income from scheduled rent increases and cost of living rent adjustments for the Port's maritime tenants, and additional revenues from cruise operations due to additional revenues anticipated from the new Pier 27 cruise terminal that is scheduled to open in September 2014, and a new passenger facility charge to be imposed in the fall of 2014. Cruise operations, which are discussed in more detail below, accounts for 73% of the \$5.5 million revenue increase projected. Other assumptions incorporated into these projections are further described below.

Cargo. Cargo revenue increases principally reflect annual cost of living and scheduled rent increases for the Port's [sand and] aggregate tenants located in the Port's Southern Waterfront. The projections assume annual consumer price index ("CPI") increases of 2% in Fiscal Years 2014-15 and 2015-16, and 3% thereafter. The projections assume that no major new cargo business at Pier 80 will be added during the forecast period.

Ship Repair. Revenues from ship repair in Fiscal Year 2013-14 are projected to increase due to timing issues associated with the collection of certain rent revenues from April to June 2012. Thereafter, revenues from ship repair are projected to decline over the next four years due to increased competition from Vigor Marine in Oregon and the expansion of the Panama Canal which will permit larger, "post-panamax" ships to move much more easily from the Pacific Ocean to the Gulf of Mexico and the Atlantic Ocean. As a result, dry docks in the Southern and Eastern United States will be able to compete for West Coast ship repair business.

Cruise. Cruise revenues are projected to increase significantly over the forecast period from \$2.8 million in FY 2012-13 to \$6.8 million in FY 2017-18. The revenue growth stems from the following three factors:

(a) A new \$6 per person passenger facility charge ("PFC") that will be imposed beginning November 2014, after the new cruise terminal at Pier 27 is completed and becomes operational. The PFC is designed to help pay for a portion of the costs of the new terminal and other improvements at the Port's other major cruise facility at Pier 35;

(b) New special event and parking revenues generated from the Pier 27 cruise facility beginning in November 2014; and

(c) An increase in the projected number of cruise passengers from 202,000 in Fiscal Year 2012-13 to approximately 261,000 in Fiscal Year 2014-15, based on scheduled booking with the cruise lines. As the new PFC is not scheduled to go into effect until November 2014, the projections assume that only about 155,000 passengers will be subject to the new charge in Fiscal Year 2014-15.

Revenues from the new PFC and the new cruise terminal over the forecast period are projected to be as follows:

Table 16
PORT OF SAN FRANCISCO
Projected Revenues
From PFC and New Cruise Terminal
For Fiscal Years Ending June 30,

	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Add'l Rev Due to New PFC	\$0	\$929,718	\$1,567,158	\$1,567,158	\$1,567,158
Revenue from Pier 27 Special Events	0	304,009	556,363	749,235	756,727
Pier 27 Parking Revenue	0	300,643	601,287	721,544	865,853
Total Add'l Revenue Projected	\$0	\$1,534,370	\$2,724,808	\$3,037,937	\$3,189,738

⁽¹⁾ Represents a partial year based on a November 2014 opening.

Source: Port of San Francisco.

Major Assumptions Relating to Real Estate and Operations Revenues. Real Estate revenues are projected to increase by approximately \$9.8 million, or 16.0%, from Fiscal Year 2012-13 to Fiscal Year 2017-18. The increase reflects higher commercial rental and parking income related to: (i) the ability to lease-up the facilities previously used by the America's Cup Event Authority during the races, (ii) increased base rents from scheduled rent increases and cost of living rent adjustments of tenant leases, and (iii) new lease income from the lease-up of newly renovated and repaired spaces at Piers 31 and 33, a new restaurant at Pier 50, and a major new tenant at the Port's Pier 94/96 facility.

Base rental income is projected to grow at 2% annually throughout the forecast period. Percentage rents are forecast to increase by 7.5% in Fiscal Year 2013-14, 5% in Fiscal Year 2014-15, and 2% annually thereafter. Vacancy rates are projected to remain stable throughout the forecast period, and uncollectable rents have been projected to total 1% of gross rental revenues throughout the forecast period. The projections also assume that leases expiring during the forecast period will be renewed or replaced with leases generating similar rents to those of the expiring leases.

America's Cup. As more fully discussed in "PORT REAL ESTATE OPERATIONS," the City hosted the 34th America's Cup sailing race. Most of the facilities and support services for the event were located on Port property, and the Port provided rent-free use of certain facilities for race events. The City and the Port entered into a memorandum of understanding ("MOU") for payments-in-lieu of rent, to reimburse the Port for certain race-induced lost revenues through December 2013. The projections assume that under the MOU the Port will receive close to \$1 million for Fiscal Year 2013-14.

The projections assume that the America's Cup facilities will be leased for their prior permitted uses, beginning in July of 2014, and that full lease up of these facilities will take two years. Revenues projected from the leasing of these facilities are as follows:

Table 17
PORT OF SAN FRANCISCO
Projected Revenues from Release of America's Cup Facilities

Fiscal Year Ending	Revenues
<u>June 30,</u>	<u>(in 000s)</u>
2015	\$2,122
2016	3,917
2017	5,279
2018	5,385

Source: Port of San Francisco.

As the successful defender of the America's Cup challenge, the Golden Gate Yacht Club has announced that it intends to negotiate with the City and other locations to host the 35th America's Cup in San Francisco. The City has made a proposal to the Golden Gate Yacht Club that seeks payment of rent for Port facilities. However, no assurances can be made that a final host agreement will include full payment thereof. No impact on revenues from hosting this event has been assumed in these projections.

Planned Real Estate Developments. The Port is currently in negotiations with developers on several major development projects. These projects are in various stages of negotiation and it is not known whether these projects will move forward on the schedules envisioned by their developers. Due to these uncertainties, no impact from these planned developments has been incorporated into these projections. For a discussion of these major development projects, along with their impact on the Port's real estate revenues, and debt service coverage see "Projected Debt Service Coverage – Major Assumptions Relating to Real Estate Development Projects" below.

Other major real estate assumptions incorporated into these projections include the following:

Pier 33. A large portion of this facility has been vacant for several years. A complete core and shell buildout, and ADA upgrade of the space has recently been completed, and the projections assume that the space will be leased up by the second quarter of Fiscal Year 2014-15.

Pier 31. The shed portion of this facility is currently red tagged. The projections assume that the shed will re-open and be re-leased beginning in Fiscal Year 2015-16, after structural and other repairs have been completed. Full lease up of the facility is projected to take 18 months. Funds from the Series 2014 Bonds will be used to finance the repairs to this facility.

Pier 38. This facility is currently vacant. The Port is currently negotiating a lease and development agreement with TMG Pier 38 Partners, LLC for the lease of the bulkhead portion of the facility. The projections assume that these negotiations are successful, and that the bulkhead will be re-opened and generating revenues starting in mid-Fiscal Year 2015-16.

Parking. The increase in parking revenues over the forecast period reflects, in large part, the additional revenue generated from the leasing of the America's Cup venue sites. Additional revenues from a new parking lot at 20th and Illinois Street are projected for Fiscal Year 2015-16 and thereafter. Existing parking revenues in all categories (meters, parking stalls, fines, and rent) are forecast to increase by 7.5% in Fiscal Year 2013-14, by 5% in Fiscal Year 2014-15, and by 2% annually thereafter.

General. Real Estate revenues are projected to grow at (a) 2% per annum throughout the forecast period for those leases that have fixed rental amounts with a lease provision for annual inflationary adjustments, or (b) 7.5% in Fiscal Year 2013-14, 5% in Fiscal Year 2014-15, and 2% annually thereafter for retail leases with rents based on a percentage of sales.

Major Assumptions Relating to Operations and Maintenance Expenses. Total operations and maintenance expenses are projected to increase by \$9.2 million, or 14.0%, from Fiscal Year 2012-13 to Fiscal Year 2017-18. The increase is the result of rising personnel costs due in large part to higher health and retirement plan benefit costs, and general expense increases resulting from inflation, and higher utility expenses reflecting anticipated increases in water rates over the projected period. With the exception of personnel, the projections assume annual increases of 3% in most expense items throughout the forecast period. Other major assumptions incorporated into these projections include:

Salary and benefits. The projections assume the addition of three new staff positions in Fiscal Year 2014-15 and two new positions in Fiscal Year 2016-17. Increased personnel costs arising from these new positions are estimated to be \$464,000 and \$331,000 for Fiscal Years 2014-15 and 2016-17, respectively.

The projections reflect salary increases of 3% in Fiscal Year 2013-14, 1% in Fiscal Year 2014-15, and 3% per year thereafter. In spite of the salary growth, total salary expense growth for Fiscal Year 2013-14 is projected to be relatively flat (growing by just 0.3%), due to sharp declines in temporary salary costs and, to a lesser extent, overtime costs. These costs were unusually high in Fiscal Year 2012-13 due to additional staffing required for the 34th America's Cup yacht races. Expenses in these areas have now returned to more normal levels.

Assumptions for personnel benefit costs are based upon the Port's historical spending and the City's adopted Five Year Financial Plan for Fiscal Year 2013-14 through Fiscal Year 2017-18 (the "City's Financial Plan"). Health and dental insurance costs are projected to increase by 6.0% in Fiscal Year 2014-15 and in each fiscal year thereafter. The projections also include estimated charges for other post-employment benefits of \$2.7 million annually. The City's Financial Plan assumes employer pension contributions to the San Francisco Employee Retirement System that were projected in 2012 by Cheiron (the City's actuarial consultant) and show a peak of employer contribution rates in Fiscal Year 2014-15 that fall slightly by Fiscal Year 2017-18. Based upon the foregoing, the Port projections assumed retirement plan net employer contributions of 20.1% of total salaries in Fiscal Year 2013-14, 23.1% in Fiscal Year 2014-15, 24.0% in Fiscal Year 2015-16, 23.1% in Fiscal Year 2016-17, and 22.8% in Fiscal Year 2017-18. For budget projections, the actuarially determined employer contribution rate is reduced by certain additional employee contributions (up to 4% depending on salary and type of employee) pursuant to Proposition C, a Charter amendment passed by City voters in November 2011.

Risk Management. Insurance premiums are projected to increase at the rate of 5% per year beginning in Fiscal Year 2014-15 (the projections incorporate the actual insurance premium expense incurred for Fiscal Year 2013-14). All other risk management costs, including fees paid to the City Risk Manager for managing and placing the Port's insurance policies are forecast to increase at an annual rate of 3% beginning in Fiscal Year 2014-15.

Major Assumptions Relating to Depreciation and Amortization. Total depreciation and amortization expense is projected to increase by \$9.0 million, or 54.9%, from Fiscal Year 2012-13 to Fiscal Year 2017-18 as a direct result of depreciation associated with the capital projects being financed, in part, by the Series 2014 Bonds, including the new cruise terminal at Pier 27, and other large capital improvements that are planned over the projected period. For the projections, depreciation is computed using the straight-line method applied over the estimated useful life of the assets. The estimated useful life of the Series 2014 Bond-financed Pier 27 cruise terminal improvements is assumed to be 35 years. Substructure and pier improvements are assumed to have a useful life of 50 years. The estimated useful life of building and other improvements have assumed useful lives ranging from 20 to 35 years.

Major Assumptions Relating to Interest Expense. Interest expense includes the Series 2010 Bonds, the City's certificates of participation executed and delivered in October 2013 for certain Port projects, and the Series 2014 Bonds. The Port's current Ten-Year Capital Plan assumes no additional Port revenue bonds will be issued, but the Plan notes that the Port would revisit issuing bonds if projects were identified in the future

that generate revenues in excess of the amount required to service debt costs. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Ten-Year Capital Plan" herein.

Major Assumptions Relating to Capital Grants and Other Capital Contributions. The Port estimates that it will receive \$72.0 million in grant funding and capital contributions over the next five years, broken down as follows (see "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY – Ongoing and Future Capital Projects – Bond Funded Projects"):

Table 18
PORT OF SAN FRANCISCO
Assumptions on Grant Funding and Capital Contributions
For Fiscal Years 2013-14 through 2017-18

Grant Type/Funding Source	Amount (in millions)
City G.O. Bond Funds	\$50.5
Security Grants	6.7
City / America's Cup Organizing Committee	1.6
U.S. Army Corps Contributed Capital for Central Basin	3.5
Other Grants & Contributed Capital	<u>9.7</u>
Total	\$72.0

Source: Port of San Francisco.

Major Assumptions Relating to Real Estate Development Projects. The Port is currently in negotiations with developers on the following major development projects.

1. Seawall Lot 330 & Piers 30-32
2. Seawall Lot 337 & Pier 48
3. Pier 70 – Waterfront site development
4. Pier 70 – 20th Street Historic Buildings and Historic Core
5. Seawall Lot 351

The Port is in the final stages of negotiations with the developer of the Pier 70 – 20th Street Historic Buildings and Historic Core area, and the project is expected to begin in the first quarter of calendar 2015. The project, however, is not anticipated to have any impact on Port revenues during the forecast period because of the length of time needed to fully construct and entitle the project, and the returns expected to be paid to the developer on its equity investment. The Port currently generates no revenues from these facilities.

The other development projects are in various stages of negotiation and it is not known if these projects will move forward on the proposed schedules due to uncertainties as to the timing for entitlements. Should these projects proceed to construction as currently envisioned, they would have a significant effect on the Port's Real Estate and Operations revenues during the forecast period. Real Estate and Operations revenues would be negatively affected as a result of revenues lost from the affected facilities when construction begins. In some cases, the losses are temporary, as the completed development generates more revenues for the Port than it previously received from the site, but in other cases revenues will be permanently lost due to the terms of the development agreements that provide for rent credits or other rent relief necessary to make the projects financially feasible for private sector investment. In such cases the Port will benefit from repairs and improvements to the affected facilities that the developer will undertake which would otherwise be the obligation of the Port. As provided in the Port's Ten-Year Capital Plan FY 2015-2024, development projects are forecast to be the largest financial source to address both state-of-good-repair (\$243.2 million) and enhancements (\$243.2 million) in the plan. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY."

None of the projects discussed above has all of the entitlements and approvals needed for any of them to proceed to construction. With the exception of the Pier 70 – 20th Street Historic Buildings and Historic Core project (which is close to being fully entitled), it is uncertain that these major development projects will move forward as currently planned. The Seawall Lot 351 development project may not proceed as currently contemplated due to the passage of a November 2013 ballot measure in which the City's voters overturned the City's decision to grant the project an exemption from an existing zoning building height limitation that applies to the site. Additionally, a ballot measure to require voter approval of any exemption to existing zoning building height limitations on Port properties qualified for the June 2014 election. If this measure passes, any proposed Port development project that would exceed existing height limitations would be subject to voter approval as a criterion for entitlement thereof. Four of the five major projects currently under negotiation for development at the Port exceed existing height limitations (only the Pier 70 – 20th Street Historic Buildings and Historic Core project would be unaffected). See "CERTAIN RISK FACTORS – Certain Economic and Other Constraints on Port Revenue."

If all of these projects go forward as currently planned and are completed during the forecast period they are projected to have the following negative impacts to Port's Real Estate revenues.

Table 19
PORT OF SAN FRANCISCO
Projected Impact of Major Real Estate Development on Rental Revenues

Fiscal Year Ending <u>June 30,</u>	Revenues <u>(in 000s)</u>
2014	\$0
2015	(890)
2016	(1,816)
2017	(3,317)
2018	(4,623)

Source: Port of San Francisco.

Debt Service Coverage inclusive of the effects of these major development projects would be as follows:

Table 20
PORT OF SAN FRANCISCO
Projected Debt Service Coverage
Including the Effects of Major Real Estate Developments
For Fiscal Years Ending June 30,
(Amounts in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Revenue	\$19,185	\$20,499	\$22,170	\$22,815	\$21,558
Total Debt Service	2,847	4,549	4,552	4,547	4,551
Projected Debt Service Coverage	6.74x	4.51x	4.87x	5.02x	4.74x

Source: Port of San Francisco.

Investment Policy and Investments

The Port maintains its operating fund cash and investments and a portion of its restricted asset cash and investments, including moneys constituting Revenues of the Port, as part of the City's pool of cash and investments. Moneys deposited by the Port with the Trustee in the funds and accounts relating to the Series 2014 Bonds are invested in investments constituting "Permitted Investments" under the Indenture, as described in Appendix A – "SUMMARY OF THE LEGAL DOCUMENTS – DEFINITIONS" and "– THE MASTER INDENTURE – Funds – Investment of Moneys" herein.

Information on the Port's cash and investments is available in the Audited Financial Statements of the Port Commission (the "Financial Statements") for the Fiscal Year ended June 30, 2013, attached hereto as Appendix C. For additional information on the external investment pool, the City's investment policies and risk exposure, contact the Office of the Treasurer, City & County of San Francisco, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Regulatory Environment

General. In addition to the Port Commission, a number of local and other regulatory agencies exercise control over Port property and activities including land use planning and development of Port properties. The Port is required to comply with the provisions of a number of federal, State, and local laws and regulations designed to protect and enhance the environment and protect public health and safety. These laws and regulations address a wide range of topics including allowable uses of Port property, hazardous waste management and remediation, water quality, groundwater quality, sediment quality, air quality, environmental impact analysis, oil spill prevention and clean up, and occupational health and safety. These regulations and control measures determine many aspects of the Port's use of its existing properties, as well as new developments on Port property. Four governmental bodies are of particular importance with respect to land use planning and development issues for the Port:

(1) *State Lands Commission ("SLC")* has jurisdiction and oversight responsibilities as to the Port's obligation under the Burton Act to promote the use and development of the Port for public trust purposes of maritime related fisheries, commerce, navigation, recreation and open space; see Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION" herein.

(2) *San Francisco Bay Conservation and Development Commission ("BCDC")* was established by the California Legislature pursuant to the McAteer Petris Act in 1965 to limit fill within the San Francisco Bay, promote maximum feasible public access to the Bay, and protect the Bay and shoreline from inappropriate development. BCDC has permitting authority that applies to development and real estate leasing on the Port's pile supported piers and upland areas within 100 feet of the Bay. BCDC policies applicable to Port properties are contained in the San Francisco Bay Plan, the San Francisco Waterfront Special Area Plan and the Seaport Plan and influence allowable uses of Port property and prioritization of investment of Port resources.

(3) *San Francisco Board of Supervisors* has legislative authority to adopt zoning ordinances and General Plan amendments (in conjunction with action by the San Francisco Planning Commission), and to hear appeals on conditional use authorizations and the California Environmental Quality Act ("CEQA") documents issued by the Planning Commission. The Board of Supervisors also exercises budgetary and fiscal authority over the Port, as with all City departments, including the authority to approve non-maritime leases that either exceed a ten year term or generate at least \$1 million in total revenue over the term of the lease.

(4) *San Francisco Planning Commission* is the City's established forum for review and discussion of future land use plans and development regulations and projects, for the certification of environmental impact analysis documents pursuant to CEQA, and for the performance of traditional municipal

planning review of development and use proposals to ensure compliance with applicable land use regulations and planning policies. See also “– Waterfront Land Use Plan and Waterfront Special Area Plan” below.

The San Francisco Planning Code and Zoning Map classifies the majority of Port waterfront property as “M-1” (Light Industrial), “M-2,” (Heavy Industrial), or “C-2” (Commercial Business). These zoning classifications permit a broad range of commercial and industrial uses and provide for “conditional use authorization” of other specified uses such as housing. While hotels are conditional uses on Port land, San Francisco voters have passed a referendum that prohibits the construction of hotels on piers and on Port property within 100 feet of the shoreline. In addition, Port property between Fisherman’s Wharf and China Basin is classified as within one of two “Waterfront Special Use Districts” established in the Planning Code, which set forth procedures for review of major non-maritime development projects by a Waterfront Design Advisory Committee. The San Francisco Zoning Map establishes a 40-foot height limit on most Port owned property sites. The Planning Commission has a specific responsibility for certifying CEQA evaluation documents, and in reviewing and approving certain mixed use Port development projects that include conditional uses. The Port Commission serves as a co-applicant with its tenants or development partners in applying for and securing all required regulatory permits from other public agencies. The Port issues its own building permits.

In addition, four agencies play a significant role in regulating Port activities and have a direct impact on the Port’s activities in the Bay:

(1) *U.S. Coast Guard*, a member of the U.S. Department of Homeland Security, protects ports, waterways and provides coastal security; maintains aids to navigation; enforces laws governing the use of navigable waters; ensures marine safety; conducts search and rescue; performs a commercial vessel traffic monitoring function for the Bay and is responsible for marine environmental protection including the administration of a national oil spill response capability. In addition, the U.S. Coast Guard is the lead agency responsible for the enforcement of all maritime-related rules and regulations of the Department of Homeland Security.

(2) *U.S. Army Corps of Engineers* (the “Corps”) provides vital public engineering services to strengthen U.S. security, reduce risks from disasters, develop and maintain Federal maritime infrastructure, and promote environmental restoration. As such, under the Federal Rivers and Harbors Act, the Corps has jurisdiction over fill located beyond the Port’s pierhead line, dredging and dredge sediment disposal by the Port and new in-water Port construction. The Corps also consults with Federal resource agencies on projects that may entail issues involving the Federal Endangered Species Act.

(3) *San Francisco Regional Water Quality Control Board* is the local enforcement agency for the federal Water Pollution Control Act and the State Porter Cologne Water Quality Act, regulating discharges into the Bay, such as wastewater from the City’s wastewater treatment facilities and storm water from municipal and industrial facilities, and discharges, or potential discharges, associated with activities on Port property.

(4) *Bay Area Air Quality Management District* is the public agency entrusted with regulating stationary sources of air pollution in the nine counties that surround San Francisco Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, southwestern Solano, and southern Sonoma counties. From time to time, air quality issues affect operations on land surrounding the Bay, including operations of the Port.

Waterfront Land Use Plan and San Francisco Waterfront Special Area Plan. In November 1990, the voters of San Francisco passed Proposition H which imposed a moratorium on non-maritime development on the Port’s waterfront property pending the completion of a land use plan for the Port’s piers and properties nearest to the shore. Proposition H also banned hotel development on piers and on Port property within 100 feet of the shoreline. In response to Proposition H, the Port Commission determined to develop a

comprehensive plan, including all Port properties, and created the Waterfront Plan Advisory Board to recommend a land use plan for Port Commission adoption. In Fiscal Year 1997-98, the Port Commission and the Board of Supervisors adopted the San Francisco Waterfront Land Use Plan (the "Waterfront Land Use Plan"), and the San Francisco Planning Commission adopted conforming amendments to the City's General Plan and Planning Code. The Waterfront Land Use Plan reserves most Port properties for expansion of maritime operations, and requires creation of new public access, recreation and open space along the Bay. It also identifies sites for compatible new commercial development to improve or rehabilitate important historic buildings and capital assets and to provide additional revenues to subsidize maritime industries, fund new public access and open spaces, and stem the continuing deterioration of the Port's aging properties.

Following local adoption of the Waterfront Land Use Plan, the Port Commission commenced discussions with the BCDC concerning the Plan and related regulatory processes. In July 2000, the Port Commission approved amendments to its Waterfront Land Use Plan, and BCDC approved amendments to its San Francisco Bay Plan to create mutually consistent planning policies for the waterfront area between Pier 35 and China Basin (the San Francisco Waterfront Special Area Plan, referred to herein as the "Special Area Plan"). To achieve the objectives of the Special Area Plan, among other things, the Port Commission committed the Port to spend \$30 million over a 20-year period pursuant to benchmarks set forth in the Special Area Plan for the removal of certain piers and the construction of major public plazas and other public access improvements. One of the major public access projects targeted in the Special Area Plan is the Brannan Street Wharf Public Plaza. Subsequent to the July 2000 Special Area Plan approval, State Legislation known as AB1389 was adopted in 2001 which accelerated the timing for the completion of the Brannan Street Wharf Public Plaza. For more information on AB1389, see Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION."

Under the Special Area Plan, the Port Commission is permitted to utilize other funding sources (such as grants and contributions) to finance the required pier removals and public access improvements. However, until sufficient funding from other sources is secured, the Port Commission must commit capital funds to produce the pier removal and public access projects described in the Special Area Plan projects. As of June 30, 2013, approximately \$46.6 million had been appropriated, and \$27.1 million had been expended, for projects under the Special Area Plan.

Environmental Compliance

The Port is an environmentally sensitive area with a long history of intensive commercial and industrial use, and the Port's environmental risk exposure is typical of other sites with a mix of light industrial activities dominated by transportation, transportation related, and warehousing activities. Due to historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation, or other activity at the Port that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste. Port facilities are also vulnerable to oil spills and other hazards of maritime activity.

At any given time, there may be many such projects of varying size and scope underway at the Port, and the Port may be involved in any number of regulatory proceedings involving the environmental compliance agencies referred to above, relating to environmental conditions on its many properties. The Port properties contain several sites that are or have been subject to cleanup or monitoring orders by state agencies. There are a number of sites that may require additional remediation to achieve regulatory closure and compliance. For most of these sites, entities other than the Port Commission (*i.e.* the former facility operators) have been identified as primarily responsible for closure and remediation, however, in all cases, the Port, as the property owner, is also potentially liable. Certain of such matters are discussed in detail below.

Environmental compliance is managed by environmental professionals with varying backgrounds in environmental science, industrial hygiene, and regulatory analysis working within the Port's Engineering,

Maintenance, Real Estate, Maritime, and Planning and Development divisions. Port environmental activities are coordinated by an Environmental Coordinating Committee that meets bi-weekly.

Port properties do not include any hazardous waste sites listed on the National Priority List by the US EPA ("Superfund sites") or the State equivalent.

Environmental matters impacting the Port are described in Note 18 of the Financial Statements of the Port Commission attached hereto as Appendix C. Crane Cove Park, an estimated \$45 million park located in the northwest corner of Pier 70, is currently in the design phase. The construction of park improvements will be phased based on available funding. Previous investigation of the shoreline found that near-shore sediment in this area is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. Since the date of the Financial Statements, additional investigation concerning the scope of sediment contamination in the Crane Cove Park area has been completed. The Port's environmental consultant has also prepared a preliminary cost estimation assuming the installation of gravel/rock layer to cover the total area of impact (approximately \$3.0 million) and expected costs for postremediation monitoring, on-going operation and maintenance, and future capital repair for a thirty-year period (\$2.4 million). The Port is currently operating under a voluntary clean-up oversight agreement with the Regional Water Quality Control Board as the lead agency. The Port has not initiated any cleanup actions beyond the investigation and analysis of risk management alternatives. It is anticipated that a portion of the total impacted area (approximately 27%) will be covered through by the first phase of Crane Cove Park construction. The extent and timing of other remedial work has not been determined.

A new municipal stormwater permit was adopted by the State of California in 2013 to reduce pollutants in stormwater runoff. This State-wide permit is a common standard that regulates storm water discharges and imposes more stringent requirements on municipal permittees, including the Port. The Port will incur added costs to develop, implement, and enforce permit program areas including public education and outreach, illicit discharge detection and elimination, construction site plan review, and post-construction stormwater control. The Port will largely assume the costs to comply with the new permit; although some post-construction stormwater design and control costs could be borne by tenants and private developers.

In 2006 the State of California Water Resources Control Board issued Waste Discharge Requirements to California municipalities requiring development of programs to control overflows from sanitary sewer collection systems (Order No. 2006-0003-DWQ, or the "Order"). Among the specific obligations specified in the Order, the Port is required to perform an assessment of its sanitary sewer infrastructure and develop a capital program to repair and replace deficient sewers. In 2010 the Port completed an initial assessment of the sanitary sewer infrastructure over water. Based upon this assessment the Port developed an under-pier utility improvement program. This includes an annual inspection of each facility with an annual capital budget of \$250,000 for inspection and small repairs. This \$250,000 level of annual funding is included in the Port's Ten-Year Capital Plan. See "PORT'S CAPITAL PLAN AND DEVELOPMENT STRATEGY." Larger repairs are beyond the scope of the annual inspection and response program. Additional capital monies will be assigned for specific large projects, such as the Pier 49 / J1 sewer replacement with an estimated cost of \$750,000.

Port tenant operations at times pose an environmental risk to the Port area. Proposed Port tenant operations are reviewed by Port staff for environmental risk and, where appropriate, tenants are required to make an environmental oversight deposit, maintain environmental management insurance, develop operations plans that describe major operations and associated environmental best management practices, and/or conduct operations in a manner that will reduce the risk of potential environmental hazards. Port staff also conducts environmental inspections of tenant leaseholds periodically throughout the lease duration and as part of lease termination and tenant vacancy procedures.

There is no assurance that the costs to the Port of compliance with environmental and health and safety laws will not increase significantly in the future. In addition, the Port currently estimates that a portion

of its accumulated deferred maintenance and facility improvement needs for its maritime and commercial properties are attributable to environmental compliance. It is expected that the Port will undertake these projects over the next several years as and if funding becomes available. See "CERTAIN RISK FACTORS – Condition of Port Facilities" and "– Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation" herein.

Risk Management and Insurance

The Port Commission utilizes the services of the City's Risk Manager. The Risk Manager advises the Port Commission and is responsible for directing and coordinating the purchase of insurance and the recovery for insured and uninsured losses. Liability claims are administered by the City Attorney's Office and the Risk Manager. Additional information relating to risk management and insurance is provided under Note 19 of the Port's audited financial statements, attached hereto as Appendix C.

The Port Commission imposes certain risk transfer requirements on its tenants, vendors and contractors. The Port Commission's policies generally require that each agreement with an entity doing business with the Port contain provisions to defend and indemnify the Port Commission from losses arising out of that entity's activities and to maintain specified levels of insurance coverage as a financial guarantee. The Port Commission and the City are named as additional insureds under those policies. Rental income and business interruption insurance may be required from tenants to be maintained on property leased or assigned. Rental income insurance provides for the continuation of payments in case of fire or other extended coverage loss for the time required to repair or reconstruct damaged facilities.

In November 2007, the Port Commission adopted an environmental risk management policy and financial assurance requirements for Port tenants with real property agreements. The purpose of the policy is to manage risk and minimize the Port's potential environmental liability. Pursuant to the policy, every new lease, lease renewal, lease amendment, sublease, lease assignment, license, and permit-to-enter is subject to review for applicability of the Port financial assurance requirements. Tenants whose operations are determined by Port staff to pose a significant environmental risk are required to post a \$10,000 environmental oversight deposit to be used to reimburse the Port for staff costs and administrative expenses associated with a notice of violation or enforcement action issued to the tenant by an environmental regulatory agency. In addition, an environmental performance deposit, in the form of cash, a standby letter of credit, or other form of deposit acceptable to the Port Commission, may be required to cover any cost incurred by the Port caused by the tenant's failure to meet any of its environmental obligations. The size of the environmental performance deposit is determined by Port environmental staff after an assessment of the tenant's operations and the estimated cleanup cost of a tenant caused environmental incident.

The Port Commission is required to maintain throughout the term of the Indenture insurance or Qualified Self-Insurance on the Port Area against such risks as are usually insured by other ports which are similar in their operations to the Port Area. Such insurance or Qualified Self-Insurance will be maintained in an adequate amount as to the related risk as determined by the Port Commission. The Port Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity. The Port Commission may self-insure against any of the risks required to be insured against. The Indenture further provides that Qualified Self-Insurance is to include reserves or reinsurance in amounts which the Port Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance including, without limitation, any potential retained liability in the event of the termination of such Qualified Self-Insurance.

The Port Commission purchases commercial insurance policies to cover catastrophic and other losses, other than earthquake risk, that cannot prudently be assumed by the Port Commission. Those policies currently include all categories of insurance coverage that the Port Commission deems reasonable in light of its current operations. Total commercial insurance premiums for all coverage for Fiscal Year 2013-14 are approximately \$2.2 million.

The Port Commission pays worker's compensation costs out of current revenues and budgetary reserves. The Port Commission paid approximately \$809,000 in Fiscal Year 2012-13 and \$537,000 in Fiscal Year 2011-12 for this purpose.

The Port Commission does not maintain commercial insurance coverage for property damage resulting from earthquakes or tsunamis. Commercial earthquake or tsunami insurance is not available at commercially reasonable rates, with both premiums and deductibles being prohibitively high. The Port Commission does not expect to maintain commercial earthquake or tsunami insurance coverage in the foreseeable future. Other risks, such as losses to its fleet of vehicles from terrorist activities, are not covered by any Port commercial insurance policies. The Port Commission would expect to address any losses resulting from any uninsured casualty or occurrence, in whole or in part, from FEMA grant funds, as and to the extent such grant funds are available, and from its budgetary reserves.

With the assistance of the City Risk Manager, the Port is in the process of implementing an enterprise risk management program. The goals of the program are to: (i) identify risks and their impact on Port operations, (ii) optimize risk taking by minimizing threats and enhancing opportunities; and (iii) reduce uncertainty. An enterprise risk management working group formed by the Port has identified and assessed risks at the Port focusing on their impact and likelihood of occurrence. The Port will develop a risk management policy, and tools will be implemented to monitor and manage risk. The first of these tools, a computer-based insurance certificate tracking system has been implemented to assist Port staff in ensuring that Port tenants are in compliance with their insurance requirements.

Labor Relations

As the Port is a department of the City, the Port's employment policies are governed by the City Charter which, since 1976, has prohibited strikes by City employees. The Charter authorizes the San Francisco Civil Service Commission to establish rules and procedures to implement Charter mandates.

As of June 30, 2013, the Port had 236 full-time equivalent employees. There are presently 17 labor unions representing Port employees. With the exception of the Port Executive Director, all Port employees bargain collectively for wages, hours, benefits and other conditions of employment.

Collective bargaining agreements are generally adopted for a term of one to three years. Impasses between the represented employees and the City in collective bargaining are resolved by an arbitration panel whose decisions are final. There have been no strikes by City employees since the adoption in 1976 of the strike prohibition.

The Port's employees participate in the retirement plan established by the City for all City employees (the "Plan"). The Port is responsible for employer contributions to the Plan on behalf of Port employees. Employer contributions are a component of the Port's Operation and Maintenance Expenses. Additional information on the Plan is provided under Note 10 of the Port's audited financial statements, attached hereto as Appendix C.

Under the various collective bargaining agreements of the City covering its employees, until 2003 the mandatory employee contributions had been made by the Port on the behalf of Port employees and for their account. Since Fiscal Year 2003-04, substantially all employees have assumed full responsibility for the mandatory employee contribution pursuant to the Plan (defined below). See "Employee Benefit Plans."

Employee Benefit Plans

Port employees are City employees, and Port benefit plans are the same as for other employees of the City. The following provides certain benefit plan information both on a City-wide basis and with respect to Port employees. The actuarial assessments herein are based upon a variety of assumptions, one or more of

which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plan. Prospective purchasers of the Bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the Bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Retirement System Plan Description. The Port participates in the City's single employer defined benefit retirement plan (the "Plan") which is administered by the San Francisco City and County Employees' Retirement System (the "Retirement System"). The Plan covers substantially all full-time employees of the Port along with substantially all other employees of the City and certain other employees. The Plan provides basic service retirement, disability, and death benefits based on specified percentages of final average salary and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The Charter and the Administrative Code establish the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102, or by calling (415) 487-7020. Such report is not incorporated by reference herein. Additional information on the Plan is described under Note 12 of the Port's audited financial statements, attached hereto as Appendix C.

SFERS Financial Information. Table 21 below shows financial information concerning the Retirement System for Fiscal Years 2007-08 through 2011-12. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for Fiscal Years 2007-08 through 2011-12.

Table 21
CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
For the Fiscal Years 2007-08 through 2011-12
(Amounts in Thousands)

Fiscal Year	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates⁽¹⁾
2007-08	\$15,832,521	\$15,941,390	\$15,358,824	103.0%	103.8%	\$319,183	5.91%
2008-09	11,886,729	16,004,730	16,498,649	72.3	97.0	312,715	4.99
2009-10	13,136,786	16,069,100	17,643,400	74.5	91.1	413,562	9.49
2010-11	15,598,839	16,313,100	18,598,700	83.9	87.7	490,578	13.56
2011-12	15,293,700	16,027,700	19,393,900	78.9	82.6	608,957	18.09

⁽¹⁾ The actuarially-determined employer contribution rates for Fiscal Years 2012-13 and 2013-14 are 20.71% and 24.82%, respectively.

Source: SFERS Actuarial Valuation Reports for Fiscal Years 2008-09 through 2011-12.

Table 21 reflects that the Fiscal Year 2011-12 Actuarial Percent Funded ratio decreased to 82.6%, corresponding to an unfunded actuarial liability ("UAAL") of approximately \$3.4 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as

of June 30, 2012, for every dollar of pension benefits the City is obligated to pay, it had approximately \$0.83 in assets available for payment, if the assets were liquidated as of such date.

City Projected Pension Costs; City Contributions. The latest actuarial report as of July 1, 2012 provides that future employer contribution rates are projected to increase to 28% for fiscal year 2014-2015 as the Retirement System recognizes certain economic assumption changes from 2011 and the losses incurred by the Retirement System in Fiscal Years 2007-08 and 2008-09. In its Five-Year Financial Plan for Fiscal Year 2013-14 through 2017-18, the City projected employee pension costs, wages and other benefit growth will be the single largest driver of cost growth and the imbalance between revenues and expenditures in the City's finances, growing by \$459 million (43% of the total expenditure growth) between Fiscal Year 2013-14 and Fiscal Year 2017-18 (the City currently projects revenue growth of \$578 million and expenditure growth of \$1.065 billion over the same five-year period).

Port Contribution. Contributions are made to the Plan by both the Port and its employees. Employee contributions are mandatory. Employee contribution rates for Fiscal Year 2012-13 varied from 7.5% to 11.0% and for Fiscal Years 2008-09 through 2011-12 varied from 7.5% to 8.0%, as a percentage of covered payroll costs. As the employer, the Port is required to contribute at an actuarially determined rate, which during the last five years ranged from 4.99% to 20.71% as a percentage of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"), as shown in the following Table 22. For Fiscal Year 2013-14, the Port's actuarially-determined contribution rate is 24.82% of Pensionable Salary or approximately \$4.5 million.

Table 22
PORT OF SAN FRANCISCO
Required Retirement Contribution
For the Fiscal Years Ended June 30,

<u>Year</u>	<u>Employer Contribution</u>	<u>Port Required Retirement Contribution</u>	<u>Employee Contribution Paid by the Port</u>
2009	4.99%	\$994,000	
2010	9.49	1,862,000	
2011	13.56	2,559,000	
2012	18.09	3,551,000	
2013 ⁽¹⁾	20.71	3,599,000	

⁽¹⁾ For the fiscal year ended June 30, 2013, the Port's required retirement contribution represented approximately 0.81% of the total City contribution of \$443 million.

Source: *Port of San Francisco*

Asset Management and Actuarial Valuation. The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. The Fund does not hold hedge funds. The investments, their allocation, transactions and proxy votes are regularly reviewed by the board of the Retirement System (the "Retirement Board") and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. These documents are not incorporated herein by reference.

The liabilities of the Retirement System (the Pension Benefit Obligation) are measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

As of June 30, 2013, the Retirement System estimated that the market value of its assets was approximately \$17.0 billion. The estimated market value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are not subject to audit (other than at year end).

Health Care Benefits. Health care benefits of the Port employees, retired employees and eligible dependents are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System. The Port's annual contribution is determined by a Charter provision based on similar contributions made by the ten most populous counties in the State. The Port's payments for all health care benefits for the last five fiscal years are shown in the following Table 23.

Table 23
PORT OF SAN FRANCISCO
Health Care Benefit Payments
For the Fiscal Years Ended June 30,

<u>Year</u>	<u>Health Care Benefit Payments</u>
2009	\$3,748,000
2010	3,918,000
2011	4,244,000
2012	4,460,000
2013	4,545,000

The Health Service System issues a publicly available financial report that includes financial statements for the health care benefits plan. The report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1700. Such report is not incorporated herein by this reference.

Postemployment Health Care Benefits. Eligibility of former employees for retiree health care benefits is governed by the City Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of service. Proposition B, passed by San Francisco voters on June 3, 2008, restricted post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to three percent of salary into a new retiree health trust fund. See "*Pension and Health Care Cost Reforms*" below

The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in its financial statements for the fiscal year ended June 30, 2008. This reporting requirement is defined under Governmental Accounting Standards Board Statement 45 ("GASB 45"). GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability. Rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet. The City has not established an OPEB trust fund.

For Fiscal Year 2012-13, the City estimated that the Fiscal Year 2012-13 annual OPEB cost was \$418.5 million, of which the City funded \$160.3 million which caused, among other factors, the City's long-term liability to increase by \$258.2 million (as shown in Table 24 below). Table 24 below sets forth the City's annual OPEB cost, the percentage of OPEB cost funded and the net OPEB obligation for the past four fiscal years.

Table 24
CITY AND COUNTY OF SAN FRANCISCO
OPEB Funding Progress
(Amounts in Thousands)

<u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Funded</u>	<u>Net OPEB Obligation</u>
2010	\$374,214	33.9%	\$852,782
2011	392,151	37.2	1,099,177
2012	405,850	38.5	1,348,883
2013	418,539	38.3	1,607,130

Source: City and County of San Francisco.

In its October 8, 2012 report, the City's actuary calculated that the City's unfunded liability was approximately \$4.42 billion as of July 1, 2010. The City's actuary estimates that the City's total long-term actuarial liability will reach \$5.7 billion by 2030. The actuary's calculations are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

The City's allocation of the OPEB related costs to the Port for Fiscal Years 2008-09 through 2012-13, based upon its percentage of City-wide payroll costs (0.96% for Fiscal Year 2012-13), is presented in Table 25 below. The Port makes contributions, on a pay-as-you-go basis, to provide postretirement benefits for retired employees in the City Health Service System, which contributions are included in the Port's payment amounts for all health care benefits shown in Table 23 above. However, the Port's annual OPEB contributions, as calculated by the City, are insufficient to defease the Port's annual OPEB obligation, causing the unfunded Port OPEB amount to grow annually.

Table 25
PORT OF SAN FRANCISCO
Annual OPEB Obligation
For the Fiscal Years Ended June 30,
(Amounts in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB Cost (expense)	\$3,944	\$3,454	\$3,694	\$3,962	\$4,002
Contribution Made	(933)	(1,002)	(1,256)	(1,278)	(1,336)
Increase in Net OPEB Obligation	3,011	2,452	2,438	2,684	2,666
Net OPEB Obligation – beginning of year	<u>2,805</u>	<u>5,816</u>	<u>8,268</u>	<u>10,706</u>	<u>13,390</u>
Net OPEB obligation – end of year	<u>\$5,816</u>	<u>\$8,268</u>	<u>\$10,706</u>	<u>\$13,390</u>	<u>\$16,056</u>

Source: Port of San Francisco.

Pension and Health Care Cost Reforms. City voters have implemented pension and health care cost reforms in recent years to help mitigate future cost increases. These include the following propositions:

Proposition B. Proposition B was approved by voters in June 2008 and increased the years of service required to qualify for employer-funded retiree health benefits for City employees who retire under SFERS and were hired on or after January 10, 2009. Employees hired before January 10, 2009 became eligible to participate in the retirement health care system and after five years of service and the employer paid 100% of the contribution. Proposition B also stated that a separate Retiree Health Care Trust Fund would be created to pay for the City's future costs related to retiree health care. This trust fund will be funded by employer and employee contributions for employees hired on or after January 10, 2009. These new employees would contribute up to 2% of their pre-tax pay and employers would contribute 1%.

Proposition D. In June 2010, the voters of the City approved a Charter amendment to create new benefit plans for City employees who are hired on or after July 1, 2010. The new benefit plan covering non-safety employees hired on or after July 1, 2010 provides for a service retirement benefit, which is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation. The Charter amendment also increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.

Proposition C. Proposition C was a Charter amendment approved by voters in November 2011 that changed the way the City and current and future employees share in funding SFERS pension and health benefits.

With regard to pension benefits, the base employee contribution rate remains at 7.5% for most employees when the City contribution rate is between 11% and 12% of City payroll. Employees making at least \$50,000 will pay an additional amount up to 6% of compensation when the City contribution rate is over 12% of City payroll. When the City contribution rate falls below 11%, employee contributions will be decreased proportionately.

Proposition C creates new retirement plans for employees hired on or after January 7, 2012 that: (1) for miscellaneous employees, increased the minimum retirement age to 53 with 20 years if service or 65 with 10 years; (2) for safety employees, kept the minimum retirement age at 50 with five years of service, but increased the age for maximum benefits to 58; (3) for all employees, limited covered compensation, calculated final compensation from three-year average, and changed the multipliers used to calculate pension benefits, and (4) for miscellaneous employees, raised the age of eligibility to receive vesting allowance to 53 and reduced by half the City's contribution to vesting allowances. Proposition C limits cost-of-living adjustments for SFERS retirees.

With regard to health benefits, elected officials and employees hired before January 9, 2009 contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001 and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce.

PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY

Most capital assets comprising the Port range from 50 to 100 years old, were constructed for use in the pre-containerized cargo shipping industry and are reaching the end of their useful structural life. Many of the piers were originally constructed approximately 100 years ago and many of the building structures over 50 years ago. Of those, only 10 – AT&T Park, the Ferry Building, Pier 1, Piers 1½, 3 & 5, Pier 15, Pier 27, Pier 39, Pier 45, Pier 48 and Pier 80 – have been improved by a major rehabilitation since 1950. An additional 16 piers have been removed. Many Port facilities are historically significant structures. In recognition of this significance, the National Park Service designated the Port's northeast waterfront, from Pier 45 in the north to

Pier 48 in the south, as the Embarcadero National Register Historic District. This District includes 20 historic piers as well as eight other structures of historic significance. In the Port's Southern Waterfront, the Pier 70 area also includes 35 buildings and many other features recognized to be of historical significance. The Port is in conversation with the National Park Service regarding the designation of a portion of the Pier 70 area as a National Register Historic District.

The age and condition of Port facilities, combined with their construction on filled tidelands in a high-risk seismic area, means that most Port facilities need capital improvements in order to be functional, code-compliant and in usable condition in service of the mission of the Port, whether they are continued in their current uses or transformed to a new or enhanced use. The Port has removed nearly one million square feet of pile supported structures over the past 30 years to create open vistas, build new marinas and eliminate public safety, navigational and fire hazards.

Many of the Port's leased facilities are in need of repairs and seismic upgrades that limit the Port's ability to realize potential lease revenues. Without the needed repairs, the facilities will continue to deteriorate and will eventually be condemned, resulting in the loss of leasable space. Maintenance challenges for the Port tend to be related to the need to replace the piles supporting the piers and the aprons that surround the pier sheds, as well as the under pier utilities. These parts of the piers tend to degrade most rapidly because they are repeatedly exposed to wet and dry cycles due to tidal and storm movement of the Bay waters. Lack of maintenance and repairs to building or shed roofs may also lead to structural deterioration of the roof structural framing and eventual condemnation of the facility.

Port staff conduct ongoing assessments of the condition of Port facilities. Using data from this assessment process, the Port has developed a Ten-Year Capital Plan (the "Capital Plan") to quantify all of the Port's outstanding capital needs and the sources of funding, if any, available to address those needs. The Capital Plan is updated annually, typically in the first quarter of each year and is submitted biennially to the City for review and approval by the Board of Supervisors and the Mayor. See "PORT FINANCIAL OPERATIONS – Port Commission Operating and Capital Budget Processes." The Port's current Capital Plan, updated for Fiscal Years 2015-2024 was adopted by the Port Commission on February 11, 2014, and is further described under "Ten-Year Capital Plan" below. Copies of the Capital Plan can be found on the Port's website at www.sfport.com. The Capital Plan and any information found in the Port's website is not incorporated herein by such reference.

The Port Commission prioritizes capital spending in a manner that reflects the Port's institutional values, namely, ensuring the safety of the public, fiscal responsibility, and fulfilling the Port's mission. As a practical matter, certain types of funding available to the Port for capital projects are earmarked for particular projects, so those projects are accelerated by virtue of having received funding. Capital improvement activity necessary to address such deferred maintenance is not part of annual Operation and Maintenance Expenses. See "PORT FINANCIAL OPERATIONS – Port Commission Operating and Capital Budget Processes " herein.

Facility Assessment Program

Formalized in 2002, the Port's Facility Assessment Program inspects, categorizes and records the condition of the over 350 piers, wharves and buildings in the Port area. The Port's Facility Assessment Team manages the program, conducts periodic inspections to identify health and safety issues, and informs tenants and the public about its findings. The Facility Assessment Team is comprised of civil and structural engineers (primarily Port staff, but also some outside contractors) who perform facility inspections and non-engineering Port staff who provide support in addressing legal and lease-related matters arising out of the inspections. The frequency of the inspections varies by facility and depends on the type of building material and the type of occupancy or use of the facility. Based on the structural condition of each facility, the Facility Assessment Team makes recommendations for barricades and warning signs. The inspection findings are used to document maintenance and repair needs for the Port facilities.

The Facility Assessment Team's inspection findings and recommendations are summarized in a report that includes a structural rating of each facility using the following categories: (i) green (good structural condition, no live load reductions/restrictions); (ii) yellow (fair structural condition, but needs some structural remediation, reduced/restricted live loading); and (iii) red (poor structural condition, restricted access).

Ten-Year Capital Plan

Capital Projects and Needs. The current Ten-Year Capital Plan identifies approximately \$2.06 billion in work for Port piers and buildings, consisting of repair and replacement requirements and conditional seismic upgrades. The Capital Plan estimates the Port's accumulated deferred maintenance and capital improvement needs for its maritime and commercial properties to be approximately \$1.59 billion. This figure represents the anticipated cost over the next ten years for deferred maintenance and subsystem renewals required on Port facilities in order to maintain such facilities in a state-of-good-repair. The Capital Plan also identifies an additional \$464.3 million for conditional seismic work on Port facilities, which may or may not be required during the 10-year period.

Potential Funding Sources. The Ten-Year Capital Plan identifies \$1.14 billion in existing or potential funding sources to finance the listed expenditures. These sources are distinguished between internally and externally generated sources. Internally-generated funding sources include Port capital funds, Port Commission revenue bond proceeds from the Series 2014 Bonds, and tenant contributions pursuant to improvement and maintenance obligations required under existing leases. Together, these sources are projected to generate approximately \$419.3 million. The Port's current Ten-Year Capital Plan assumes no additional Port revenue bonds will be issued, but the Plan notes that the Port would revisit issuing bonds if projects were identified in the future that generate revenues in excess of the amount required to service debt costs. However, this is subject to change in the future. Externally-generated funding sources include private sector development project funding, City general obligation bond proceeds, and Federal, State and local grants. These sources are projected to generate approximately \$721.5 million. The Ten-Year Capital Plan reflects that approximately 59% of the identified funding sources (\$669.5 million) will be applied towards state-of-good-repair projects and approximately 41% of identified funding sources (\$471.3 million) will be applied towards enhancement projects.

Under the Ten-Year Capital Plan, development projects remain the principal drivers of potential waterfront improvements, representing 36% of the state-of-good-repair funding and 52% of the proposed capital enhancements during the ten-year period of the plan. These revenues are dependent on approval of the projects themselves. The Ten-Year Capital Plan identifies a significant change in the real estate market or a dramatic change in the political climate vis-à-vis waterfront development as risks to the funding strategy presented in such plan.

Port Legislative Efforts

Since 2005, the Port has pursued State and local legislative changes which were designed to increase the funding options available to address the Port's future capital requirements and to expand the range and profitability of uses on Port property. The Port has been successful in obtaining authority to: (i) capture the State and local share of certain property tax increment revenues that would otherwise be paid to the State and local entities, and (ii) form Infrastructure Finance Districts (IFD) and issue IFD bonds against incremental property tax revenues to provide financing for the public portion of several public private development projects in which the Port is currently involved (see "PORT FINANCIAL OPERATIONS – Projected Debt Service Coverage – Major Assumptions Related to Real Estate Development Projects"). The Port has also received funding from two City general obligation bond measures approved by the voters in 2008 and 2012 to fund several Port waterfront parks and open space projects. A brief summary of major legislation passed to date which may benefit the Port is provided below:

- The 2005 adoption of SB 1085 added IFD bonds to the Port's funding options. SB 1085 permits the Port to petition the Board of Supervisors to form a Port IFD, with the power to capture growth in property tax increment for periods of up to 40 years to finance improvements. Formation of such an IFD is currently in progress.
- The 2007 adoption of SB 815, which authorizes the Port to lease or sell underutilized landside waterfront property located south of the Bay Bridge for its highest and best use, free of the use restrictions of the public trust, in order to generate funds for historic rehabilitation and open space.
- The 2008 approval by City voters of Propositions A and D, and the 2012 approval by City voters of Proposition B, directed City general obligation bond funds to Port waterfront park and open space projects.
- AB 1199 was enacted in 2010 to clarify and extend the Port's use of property tax increment revenues. Among other things, this legislation allows the future Pier 70 IFD project area to receive for a 20-year period the portion of property tax increment (with certain limitations) that would otherwise go into a State fund.
- AB 664 was enacted in September 2011 and allows the Port to capture the portion of property tax increment (with certain limitations) that would otherwise go into a State fund to fund specified capital improvements, and open space improvements.

Enactment of this legislation required a significant amount of favorable political will and cooperation among a variety of legislative and regulatory bodies, and further regulatory and legislative approvals will be required to realize the full benefit of recent legislation to the Port. The Port can give no assurances that such approvals will be granted.

Further information on the Port's legislative efforts is provided in the Management Discussion and Analysis section of the Audited Financial Statements of the Port Commission for the Fiscal Year ended June 30, 2013, attached hereto as Appendix C.

Recently Completed Capital Improvement Projects

Since the Port's first adopted ten-year capital plan in 2006, the Port has guided nearly \$196 million non-development capital investment, of which \$138 million occurred in the last three years. Below are summarized descriptions of examples of recent major capital projects (generally involving investments of \$15 million or more) in Fiscal Year 2012-13:

James R. Herman Cruise Terminal at Pier 27. As discussed in detail under "THE SERIES 2014 PROJECTS" above, Pier 27 is being developed as a primary cruise terminal. Phase I of the project, construction for the "core and shell" of the building, was completed in March 2013 at a cost of approximately \$62 million.

Pier 15 Substructure Improvements. The Exploratorium, a museum of science, art and human perception, was privately constructed at Pier 15, which was rehabilitated for this use. The Exploratorium opened in April 2013. The Exploratorium's total construction costs, reported as \$220 million, were funded privately. The substructure work, including seismic upgrades for this project, exceeded \$65 million.

AC34 Facility Requirements. Pursuant to the 34th America's Cup Lease Disposition Agreement between the City and the America's Cup Event Authority, the City was required to complete certain infrastructure improvements, certain identified repairs at venue facilities, and to implement certain mitigation measures pursuant to various regulatory and permit requirements. The Port, acting on the City's behalf,

completed all improvements by July 2013 and spent \$21 million for various improvements to its venue site facilities, and environmental mitigation measures required for the permit for America's Cup improvements.

The Brannan Street Wharf. Located on The Embarcadero Promenade between Piers 30-32 and Pier 38, the Brannan Street Wharf is a new 57,000 square foot public park over the water and parallel to the Embarcadero Promenade. The project was completed in July 2013 at a cost of approximately \$26.0 million (including the demolition and removal of Pier 36). A small craft float and gangway was deferred due to insufficient funding, but is required to be installed by July 2018 under the terms of a permit for the project from the San Francisco Bay Conservation and Development Commission.

Ongoing and Future Capital Projects

The capital projects discussed herein are ongoing or have at least partial identified funding under the current Ten-Year Capital Plan. Many of these projects will be implemented concurrently, with progress made on each as and when funding for such project becomes available. In the forthcoming ten-year period, the Port intends to expend \$669.5 million for state-of-good repair projects and \$471.3 million for capital enhancement projects. State-of-good repair projects cover the existing backlog of deferred maintenance, capital renewal (regular facility maintenance) and certain projected one-time expenses. At the end of the Ten-Year Capital Plan period, the Port is projected to reduce its state-of-good repair needs by 42%, from \$1.59 billion to \$921.0 million. To the extent funds are available for discretionary application by the Port Commission, priority is given to projects that reflect the Port's institutional values, namely, ensuring the safety of the public, fiscal responsibility, and fulfilling the Port's mission. If the Port is unable to identify a funding source or a developer to repair and seismically upgrade structurally compromised facilities, eventually it will need to close those facilities that are no longer safe for use. Any closed piers will either deteriorate in place or be demolished (if the Port can secure funds for demolition). To date, 16 piers have been demolished. Funding sources for deferred projects are limited: (i) possible grant funding for open space and transportation projects, and (ii) possible real estate development projects, requiring significant equity contributions from private partners.

Ongoing Projects. Each year, the Port capital budget funds the deferred maintenance and improvement of existing systems and Port facilities, dredging so that the depth of the berths at the Port's piers remain suitable for water traffic, and projects which are designed to enhance the Port's facilities including infrastructure investments needed to attract new development on Port property.

Bond Funded Projects. For a description of projects proposed to be funded with proceeds of the Series 2014 Bonds, see "THE SERIES 2014 PROJECTS." With respect to projects to be funded with proceeds of City general obligation bonds, City voters approved Proposition A – Clean and Safe Neighborhood Park General Obligation Bonds at the February 2008 election, authorizing the issuance of \$33.5 million of City general obligation bonds (the "2008 G.O. Bonds") to finance certain waterfront parks on Port property. In November 2012, City voters approved Proposition B – Clean and Safe Neighborhood Park General Obligation Bonds, authorizing the issuance of \$34.5 million of City general obligation bonds (the "2012 G.O. Bonds"), to finance certain parks and waterfront open spaces on Port property. In Fiscal Year 2012-13, the Port received \$18.2 million of proceeds from the City's 2012 G.O. Bonds to fund open space projects on Port property. Previously, the Port received \$24.6 million of proceeds from the City's 2008 G.O. Bonds, for a total to date of \$42.8 million in net general obligation bond proceeds.

Real Estate Development Projects. Since the 1970s, the Port's primary tool for redeveloping its property has been public-private partnerships with private entities for development of Port property. In the past, completed development projects have helped address the Port's deferred maintenance capital needs as well as being a source of new revenues. In evaluating potential development opportunities, the Port seeks to balance the proposed development as a source for addressing its deferred capital needs, against any negative impact to revenue as a result of the proposed development.

Major real estate development projects in which the Port is in active negotiations with private developer partners are planned to provide approximately \$243 million of the Port's deferred maintenance capital needs over the next 10 years. These development projects involve a variety of project risks, including development, entitlement, financial, construction, project completion, market and operating risks; but with few exceptions, generally no immediate negative risk to revenues.

In its public-private development projects, the Port seeks to shift all or most of the project completion risk to the private development partner. The Port Commission does not typically subordinate its leases to the financing obtained by the private developers and the Port Commission does not deliver the leasehold to the developer until the developer is able to immediately start construction, with all entitlements, permits, equity and debt financing, construction contracts, insurance, and guarantees in place. Until the leasehold is delivered to the developer, the Port continues to receive rents from the interim tenants in occupancy. If a project does not proceed to construction, the Port's interim leasing revenues are maintained but the anticipated repairs and improvements and the other anticipated financial benefits are not achieved. In recognition of, and in exchange for, the project risks being assumed by the developer, the Port Commission typically grants the developer a long-term lease (50-66 years).

During the pre-development and development period, the Port is also subject to the risk of litigation from developers whose projects do not proceed, notwithstanding contract provisions that prohibit developers from making claims against the Port. Once a lease is executed, the Port is subject to economic risk affecting the tenant, lawsuits against the developer or the project and risks relating to the tenant's failure to perform, mismanagement and similar business risks, as any other owner lessor of commercial property. See "CERTAIN RISK FACTORS" herein.

To further minimize its exposure to project completion risk, in recent years, the Port has limited its contribution toward public-private partnership projects to the existing land and facilities, plus the time related expense of Port staff, attorneys and other consultants needed to coordinate and assist the developer. For some developments, the Port may grant rent credits towards specific construction components and minimize the direct contribution of Port funds. During the pre-development and development phases of a project, the amount of the interim lease revenue to the Port is typically reduced because of the uncertainty the pending project creates for interim tenants, with the Port being able to offer only very short-term leases. During the construction period for the project, the rent that the developer pays the Port is typically substantially less than the Port previously received.

The following real estate development projects on Port property are currently at various stages of negotiation and development with a private investor/partner and no assurances can be given that any of the described projects will result in a completed project or in increased Revenue. Further, certain projects include aspects that may decrease Revenue. In particular, should they proceed to construction, the following projects are expected to decrease rental revenue to the Port on a short-term and/or long-term basis. Such decreases are discussed and reflected in the projections described under "PORT FINANCIAL OPERATIONS – Projected Debt Service Coverage" herein.

Golden State Warriors Arena at Piers 30-32. The City and the Golden State Warriors NBA basketball team are partnering on a proposal to develop and build a sports and entertainment arena venue on the waterfront in San Francisco that would open for the 2017-2018 NBA season. The proposed project facility would be located at Piers 30-32 on San Francisco Bay, south of the Bay Bridge, between the Ferry Building and AT&T Park. The City in partnership with the team is proposing to repair and seismically upgrade 13 acres of deteriorating piers and develop with private funds Seawall Lot 330 (SWL 330), adjacent to Piers 30-32, into a multi-purpose venue. The goal of the proposed project is to substantially improve open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay. The project contemplates a rezoning of Piers 30-32 from 40 feet to 125 feet to accommodate the arena, and a potential rezoning of Seawall Lot 330 (currently zoned for two 105 foot buildings) to accommodate one 175 foot building and one 105 foot building. The new facility would host the Warriors, as well as provide a new

venue for concerts, cultural events and conventions, and other events that the City currently cannot accommodate with existing facilities. However, Proposition B on the June 2014 ballot, if passed, would require subsequent voter approval of the project. See "CERTAIN RISK FACTORS – Certain Economic and Other Constraints on Port Revenue." The total cost of the project is currently estimated at \$1 billion and is expected to be financed through a combination of private debt, developer equity, Port rent credits and Community Facilities District Bond proceeds and IFD proceeds.

Seawall Lot 337 & Pier 48. This 16-acre site is located on the south side of China Basin Channel near AT&T Park, bounded by Third, Terry Francois and Mission Rock Streets, adjacent to the Mission Bay development, and is planned to be developed with a major waterfront public open space, a new neighborhood park and approximately 3.6 million square feet of urban, transit-oriented mixed uses including retail, light manufacturing, commercial and residential. The proposed project would include new facilities that would require rezoning the site (currently zoned as open space, 0 feet) to a maximum of 380 feet in two to three locations. The Port's development partner, Seawall Lot 337 Associates, LLC has received approval for a project term sheet from the Port Commission and Board of Supervisors. The project team is currently pursuing project entitlements including a thorough environmental review in accordance with the California Environmental Quality Act ("CEQA"). The Port anticipates that this project could generate new lease revenues and result in higher property values. The current project schedule anticipates completing the CEQA process and gaining project approvals in early 2015 with lease payments commencing on sub parcels beginning in 2016. However, Proposition B on the June 2014 ballot, if passed, would require subsequent voter approval of the project. See "CERTAIN RISK FACTORS – Certain Economic and Other Constraints on Port Revenue." The total cost of the project is currently estimated at \$1.8 billion and is expected to be financed through a combination of private debt, developer equity, development rights payments (partially prepaid rent) and Community Facilities District Bond proceeds and IFD proceeds.

Pier 70. The largest element of the Port's current Ten-Year Capital Plan is the rehabilitation and redevelopment of the heavily blighted Pier 70 area, with an estimated need of approximately \$525 million in capital improvements and with a total preliminary estimated project development cost of \$1.9 billion. The total cost of the project is expected to be paid with a combination of private debt, developer equity, IFD bond proceeds, land dispositions, and City general obligation bond proceeds. Pier 70 is a 65-acre brownfield site on the City's central waterfront bounded by Mariposa, 22nd and Illinois Streets. Pier 70 is home to a collection of historic facilities portions of which are expected to be eligible as a National Register Historic District. In early 2014, the Port nominated Pier 70 to be a National Register Historic District which nomination will be carefully reviewed by the National Park Service. The Port has produced a Pier 70 Master Plan, a result of a lengthy public process, to define a strategy to rehabilitate important historic buildings, environmentally remediate the site, improve street and utility infrastructure and public open spaces near the water's edge, and provide for over three million square feet of economic development.

Pier 70 redevelopment will require private and public funds. As a result, the Capital Plan financing includes a total of \$140 million in Community Facilities District ("CFD") bond proceeds and IFD bond proceeds, as well as City general obligation bond funds for this redevelopment. In addition, Proposition D – Pier 70 Land Use and Financial Plan, approved by the City's voters at the November 2008 election, provides the Port with new financing tools to restore Pier 70. Proposition D permits the Board of Supervisors to dedicate City general fund revenues in an amount up to 75% of projected payroll and transient occupancy tax revenues generated by Pier 70 development for a period of up to 20 years to finance waterfront parks, environmental remediation, historic rehabilitation and other public improvements.

The redevelopment of Pier 70 has been divided into five distinct subareas: (1) the subarea lease to BAE Systems Ship Repair – San Francisco; (2) the 25-acre subarea called the Waterfront Site which is under an exclusive negotiation agreement with Forest City Development California, Inc. ("Forest City") for up to three million square feet of residential and commercial development; (3) the 6-acre Historic Core which is under an exclusive negotiation agreement with Orton Development Inc. ("ODI") for rehabilitation of certain historic buildings for new uses, (4) the 9 acres of public open spaces called the Crane Cove Park to be funded

and constructed by the Port; and (5) the urban infill development opportunity sites along the eastern side of Illinois Street boundary of Pier 70 to be disposed for residential and commercial developments. Detailed information about each of the Pier 70 subareas follows.

Forest City Development Waterfront Site. This site consists of approximately 25 acres of land area and four historic buildings in dilapidated states to be rehabilitated for new uses, all on the south eastern edge of Pier 70. The Port, with the assistance of the Office of Economic and Workforce Development ("OEWD"), is in negotiations with Forest City over a proposed redevelopment of the site for the construction of approximately 950 residential units, 2.6 million square feet of office, retail and other commercial uses, adaptive reuse rehabilitation of a minimum of four historic buildings, seven acres of recreational and passive open space, and three parking structures. A term sheet approved by the Board of Supervisors is guiding further refinement of the concept toward the ideal mix of residential and commercial uses to develop, in how many phases, and at what density. The final concept is subject to review and approval under CEQA. The Waterfront Site is currently zoned at 40 feet, and will require rezoning and a Special Use District to permit construction of buildings at a range of heights, potentially including two to three 230 foot buildings. However, Proposition B on the June 2014 ballot, if passed, would require subsequent voter approval of the project. See "CERTAIN RISK FACTORS – Certain Economic and Other Constraints on Port Revenue."

Forest City is working with the Port and OEWD on the infrastructure system required to support the proposed concept or development. The required infrastructure is anticipated to cost in excess of \$180 million. The project is expected to be financed through a combination of private debt, developer equity, land proceeds and CFD bond proceeds and IFD bond proceeds. The Port is currently reviewing the feasibility of substituting portions of developer equity with certain public bond proceeds.

Orton Development Historic Core with 20th Street Historic Buildings. The Port is negotiating an agreement with ODI to lease, rehabilitate and operate six historic buildings included in the Pier 70 Master Plan area. On October 9, 2012, the Port Commission endorsed the term sheet establishing the conceptual agreement by the parties of the terms of a transaction. Subsequently on December 4, 2012, the Board of Supervisors also endorsed the term sheet and conceptual project plans. Since then ODI and Port staff have been working to realize the project approved in concept. These buildings are in a state of dilapidation and require approximately \$74 million of repairs and improvements to return them to active use. ODI will secure the required debt and equity, anticipated to include a loan from the City's Seismic Safety loan program as well as bank debt. The Port will contribute \$1.6 million for structural upgrades. The transaction terms defer any payment of rent to the Port until the sooner of 20 years or the repayment of ODI's equity investment.

This project includes 267,000 square feet of existing buildings. The proposed project would add up to approximately 70,000 square feet of new space, primarily in mezzanines. Once rehabilitated, these historic office and industrial buildings would be used for a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The proposed project would also create an indoor lobby/atrium in Building 113, and an outdoor courtyard/venue, both of which would be made accessible to the public.

Crane Cove Park. The Port is currently in the design phase of a \$45 million park at the northwest corner of Pier 70. Approximately \$18 million of the project will be financed using general obligation bonds approved by the voters of San Francisco in 2008 and 2012, and the remaining funding has yet to be secured. Construction will likely be phased, based on available funding.

Illinois Street Infill Development Opportunity Sites. There are between three to eight parcels that could be created out of the identified large land parcels at three separate locations on the east side of Illinois Street at Pier 70 designated for infill developments. When combined, the parcels will comprise approximately nine acres.

Seawall Lot 351. This two-thirds of an acre site is currently a surface parking lot located along the Ferry Building waterfront at The Embarcadero and Washington Street. It is to be merged with the adjacent tennis club property in a \$345 million residential-commercial development agreement between the Port and San Francisco Waterfront Partners ("SFWP"), an affiliate of Pacific Waterfront Partners that developed Piers 1½, 3 and 5 and the Pier 24 Annex. The approved project is the subject of a recently passed legislative referendum revising the increase in building height granted the development. SFWP, therefore, is considering its options to reevaluate the proposed development, including project funding structure. The Port is awaiting the developer's decision on proceeding with this project following its reevaluation.

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2014 Bonds. This section is provided for convenience and is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2014 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2014 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2014 Bonds or adversely affect the ability of the Port Commission to make timely payments of principal of or interest on the Series 2014 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the Port Commission. The enforceability of the rights and remedies of the owners of the Series 2014 Bonds and the Trustee under the Indenture in the event of a default by the Port Commission may be subject to the following: limitations on legal remedies available against cities in California; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See Appendix F – "PROPOSED FORMS OF LEGAL OPINION OF CO-BOND COUNSEL" herein.

Condition of Port Facilities

Most capital assets comprising the Port range from 50 to 100 years old and require significant repair for continued use. The age and condition of Port facilities, combined with their construction on filled tidelands in a high-risk seismic area, mean that most Port facilities will need future capital improvements in order to continue to be functional, code compliant and in usable condition in service of the mission of the Port. The Port has demolished or removed from service a number of facilities over the past 45 years, including some facilities that had been generating revenue for the Port, and, in the absence of funding for needed capital improvements, the Port will remove additional revenue-generating facilities from service in the future. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY." The Port envisions the need for further public and/or private development of its facilities and property, much of which requires legislative and regulatory approvals, to address its capital shortfall. If the Port fails to complete these development projects, Port facilities will continue to deteriorate, which may lead to reductions in Net Revenue.

Certain Economic and Other Constraints on Port Revenue

The ability of the Port to maintain or increase revenue growth in the future may be affected by a variety of economic, legislative and regulatory factors that are outside of its direct control.

The Port operates pursuant to many legislative and regulatory constraints that significantly restrict its ability to maximize the revenue generating activities of its waterfront properties. Public objectives set by many of these legislative and regulatory requirements, including the Port's Waterfront Land Use Plan and BCDC's Waterfront Special Area Plan, limit the Port's ability to maximize the commercial revenue generating opportunities available for many of the Port's properties. In addition, the Port is subject to many of the same economic and competitive factors affecting other commercial and real estate business enterprises in the region.

The transfer of the Port to the jurisdiction of the City in 1969 was made in trust for the people of California. The public trust doctrine directs the use and development of Port properties. The public trust doctrine, as codified in the Burton Act and the related Transfer Agreement, mandated the following missions for the Port: (1) to promote navigation, fisheries and maritime commerce; (2) to protect natural resources; and (3) to develop recreational facilities that attract people to enjoy the Bay and the waterfront. See "Burton Act and Transfer Agreement" below and Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION." The public trust doctrine has been interpreted over time by the courts, the Attorney General, the SLC and the BCDC.

The Port's properties are also subject to the Waterfront Land Use Plan, adopted in June 1997, which was developed by the Port Commission through a public consensus process to provide a framework for all future development of Port property. Analyses conducted concurrently with the development of the Waterfront Land Use Plan concluded that, while the Waterfront Land Use Plan had significantly expanded the scope of revenue generating activities that could be developed on Port property, changes in the regulatory environment were required and other funding and financing mechanisms were needed for the Port to carry out its missions. Required regulatory changes have been achieved with the City and with BCDC, and additional regulatory changes are being pursued by the Port and will likely be required in the future. The Port can give no assurances that such changes will be granted.

Under the Charter of the City, the San Francisco Municipal Elections Code and the California Elections Code, City voters may seek to nullify certain ordinances approved by the Board of Supervisors through the process of referendum (generally, the referendum power does not extend to the annual budget or appropriations ordinances, annual salary ordinances, ordinances authorizing the City Attorney to settle litigation, ordinances that relate to purely administrative affairs, ordinances necessary for the Mayor's exercise of emergency powers, and ordinances providing for the issuance of general obligation bonds). A referendum is a petition protesting certain ordinances passed by the Board of Supervisors and asking that the Board of Supervisors reconsider the matter. If the Board does not repeal the ordinance, it is submitted to the voters at the next general municipal election or a special election. The operation of the ordinance is suspended until approved by the voters. As a recent example, City voters overturned a June 2012 decision of the Board of Supervisors allowing the construction of a luxury high-rise residential development along the Embarcadero in the November 2013 elections, through the referendum process.

City voters may also avail of the initiative process, whereby a proposal for a new ordinance or charter amendment is placed on the ballot by a petition with the required number of signatures. The Port's properties are the subject of a ballot measure to be placed before the San Francisco electorate on June 3, 2014 as Proposition B preliminarily titled "Voter Approval for Waterfront Height Increases" ("Proposition B"). If approved by the voters and upheld after any legal challenges, Proposition B would require voters' approval prior to any development on Port property that exceeds the height limits in effect as of January 1, 2014. Proposition B would apply to property currently under the control of the Port Commission, as well as any property that the Port may acquire in the future. Proposition B would require that any future ballot question to increase height limits on Port property must specify both the existing and proposed height limits. Four of the five major projects currently under negotiation for development at the Port exceed existing height limitations (only the Pier 70 – 20th Street Historic Buildings and Historic Core project would be unaffected). The Port is unable to predict the outcome of the June ballot and its impact on the Port's finances and operations.

The processes of initiative and referendum are available to California voters at the State level and may be used by voters to effect changes to the State Constitution, statutes or charters. The Port's ability to maintain or increase revenue growth and develop the Port Area may be limited by the processes of initiative and referendum at the City and State levels. The Port Commission is unable to predict any future actions by the voters of the City or the State and their impact on the Port Commission's operations.

The Port's properties suffer from a significant amount of deferred maintenance and/or desirable capital improvements. In order to promote its mission to foster and promote navigation, fisheries and maritime commerce, the Port is obligated to preserve significant waterfront historic resources that have great significance to the region and the nation but that are very costly for the Port to maintain and upgrade. The cost of needed repairs to the Port's properties has been estimated in the current Ten-Year Capital Plan to be approximately \$1.59 billion over the next ten years. The Port currently reviews these costs on an annual basis and anticipates that this estimate will continue to be refined as information is known and costs escalate. These estimates do not include the cost to repair the Port's seawall or to address sea level rise. See "PORT CAPITAL PLAN AND DEVELOPMENT STRATEGY" herein.

The public trust doctrine gives priority to maritime, visitor serving retail and other uses which do not necessarily generate maximum revenue from the Port's waterfront land. Certain maritime revenue sources, such as the Port's cargo shipping lines, have declined. In response, the Port has focused its efforts on expanding bulk cargo, harbor services, cruise and ship repair maritime lines and its commercial (non-maritime) real estate operations. Other priority public trust uses, such as protection of natural resources and open spaces do not provide any direct revenue and involve on going Operation and Maintenance Expense. The public trust doctrine prohibits housing on Port property and limits general office use to portions of historic Port facilities that are rehabilitated according to standards published by the U.S. Secretary of the Interior. The public trust doctrine permits interim leasing of Port property for uses that are not consistent with the public trust (e.g., general office) for short periods of time, in most cases not to exceed 10 years, in order to generate funds for the Port's Harbor Fund. Additionally, as a result of Proposition H passed by the San Francisco electorate in 1990, hotels are prohibited on the Port's waterside properties.

Burton Act and Transfer Agreement

The Port Area was transferred to the City by the State pursuant to special legislation, California Statutes 1968, Chapter 1333 (the "Burton Act"). The transfer was conditioned on the passage of certain Charter amendments, which were approved by the voters of the City at an election held on November 5, 1968. The transfer was effected pursuant to an agreement entered into between the State and the City, in accordance with the Burton Act, dated as of January 24, 1969 (the "Transfer Agreement"). The provisions of the Transfer Agreement generally follow those of the Burton Act itself. The amendments to the Charter were approved by the State Legislature as required by the Transfer Agreement.

The Burton Act provided for the transfer to the City, in trust for purposes of commerce, navigation and fisheries, of all of the real property located in the City and then under the jurisdiction of the San Francisco Port Authority of the State, and of all related personal property. The Burton Act and the Transfer Agreement provide that the Port Commission shall have complete authority to use, conduct, operate, maintain, manage, regulate, improve and control the harbor of the City (*i.e.*, the Port Area), and to do all things necessary in connection therewith.

The Legislature reserved the right to amend, modify or revoke, in whole or in part, the transfer of lands in trust under the Burton Act, provided that the State assumes all lawful obligations related to such lands as may revert to the State. The State has never exercised this right, other than as part of the State's budget for Fiscal Year 1992-93 when certain Port revenues were required to be diverted to the State. The transfer may also be revoked, by an action brought by the State Attorney General, for gross and willful violation of the terms of the transfer or the provisions of the Burton Act or other legislative enactment. No such action has ever

been brought or threatened by the State Attorney General, nor is the Port Commission aware of any possible grounds for such an action.

Under the Burton Act, revocation, in whole or in part, of any transfer of lands in trust to the Port Commission may not impair or affect the rights or obligations of third parties, including bondholders and lessees, arising from existing leases, contracts or other agreements. For additional information on the Burton Act and the Transfer Agreement, see Appendix B – "SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION."

General Economic Risk and Real Estate Risk

Most revenues of the Port Commission are derived from long term leases. Absent tenant turnover, the Port Commission has limited ability to increase rents under such long term leases to offset any reduction of other revenues or increase in expenses of the Port Commission. Thus, the ability of the Port Commission to respond to unanticipated shortfalls in Net Revenue is limited.

The Port's Revenue is derived primarily from property leases to commercial and industrial enterprises. The Port's tenants are subject to competitive conditions and other business and economic factors that may affect their ability to pay rent to the Port. See "PORT REAL ESTATE OPERATIONS" herein. Any tenant of the Port may elect not to renew its lease upon expiration of the lease term. The ability of such businesses to continue in operation, and to pay rent to the Port, may be compromised in the event of an economic downturn, failure of such businesses or their tenants to perform, mismanagement, lawsuits, increased operating expenses, and similar business risks, or in the event of a natural or other disaster and similar occurrences, and may be adversely affected by their ability to collect under their insurance policies in the event of any occurrence of a casualty. In the event of a business downturn, a Port tenant may fail to make lease payments when due, may decline to renew an expiring lease, may become insolvent or may declare bankruptcy or may fail to maintain the premises. Any such non-performance or default by a tenant under the lease will have an adverse impact on the Port's Revenue. Nonperformance by a significant tenant could have a serious long-term impact on the Port's financial condition. Even if, under the terms of the lease, the Port is able to terminate the lease and evict the tenant, the Port may have difficulty in securing another tenant. The terms of any new lease may not be as favorable as the prior lease.

The Port Commission's ability to make principal and interest payments on the Series 2014 Bonds is dependent upon the generation of Revenue, which is derived from the collection of rents, rates, tariffs and charges. A number of factors could adversely affect the Port Commission's ability to generate Revenue and pay its operating costs through its lease, rates and tariffs structure including, but not limited to, increased capital improvement needs and the costs thereof, increased Operation and Maintenance Expenses, competition in the real estate market and maritime industry for the property and services offered by the Port, limits imposed by standards for historic preservation, changes in the cost and terms of debt financing, increased federal, state and city/county restrictions or requirements, and general economic conditions. These factors are not within the Port's control, to a large degree. The ability of the Port to generate or maintain Revenue through its real estate development activities is affected by the same factors. Any adverse change in any of the foregoing factors could make the ongoing development of the Port's properties more difficult or impossible, even if only for a period of time.

The Port competes with certain other port facilities in the immediate area and the region and is subject to competitive factors and market conditions in a number of sectors. See "Certain Economic and Other Constraints on Port Revenue" above.

Risk of Earthquake

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of

the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the "U.S.G.S."), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost \$100 billion of damage. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

As indicated by the report, a significant earthquake in the City is probable during the time the Series 2014 Bonds will be outstanding. As stated in the Seismic Hazards Mapping Act of 1990, the effects of strong ground shaking, liquefaction, landslides or other ground failure account for approximately 95% of economic losses caused by an earthquake. The Seismic Hazards Mapping Act of 1990 requires sellers and agents of real property located within a Seismic Hazard Zone to disclose the zone designation to buyers at the time of sale. The Port Area is located within a liquefaction zone according to a report prepared by the California Geologic Survey. Liquefaction is a significant loss of soil strength resulting from increased pore water pressure during earthquakes. Loss of soil strength can cause damage to Port facilities and infrastructure (including the seawall) due to ground settlement or lateral spreading. The Seismic Hazards Mapping Act also requires cities or counties to regulate certain development projects within the zones by withholding approval until the soil conditions of the project sites are investigated and appropriate mitigation measures are incorporated into the development plans. As a part of the building permit review for waterfront projects that trigger a seismic code upgrade, the Port requires geotechnical investigations be conducted that profile the soils, determine the potential for liquefaction, and identify measures to mitigate seismic impact.

The Port does not carry earthquake insurance and the Port does not anticipate obtaining earthquake insurance for the Port Area. In addition, in the event facilities located within the Port Area are damaged or destroyed in an earthquake, the business operations and finances of the Port could be materially adversely affected.

FEMA Flood Zone

On September 21, 2007, Federal Emergency Management Agency ("FEMA") published a preliminary Flood Insurance Rate Map ("FIRM") for San Francisco depicting Special Flood Hazard Areas ("SFHAs"). A SFHA is defined as an area subject to flooding during a flood having a 1% chance of occurrence in any given year (also referred to as the 100-year flood or base flood.) The preliminary FIRM shows SFHAs along San Francisco's coastline, including most of the Port's finger piers. Initial analysis by the Port's Chief Harbor Engineer indicates that currently most of the Port's finger piers have a freeboard (or clearance) of one foot or more above the Total Water Elevations projected by FEMA during the occurrence of the base flood. Port staff submitted detailed comments to FEMA regarding its preliminary FIRM demonstrating the absence of significant flood hazards on portions of Port property and the ability of finger piers to withstand forces associated with the base flood. In 2008, the Port's Chief Harbor Engineer certified the Port's comments submitted to FEMA. The analysis and certifications included in the Chief Harbor Engineer's report show that:

1. The Port's piers and wharfs are structurally sufficient to withstand the effects of wave action and most of the pier decks are above the expected wave heights. Therefore, the Port's piers and wharves should be removed from the SFHA;
2. The Port's seawall sections are structurally sufficient and have adequate height above the expected wave heights to provide protection against the base flood. Therefore, the landside improvements should be removed from the SFHA; and
3. The breakwaters are structurally sufficient to provide protection to many areas of the Port waterfront by reducing the wave height. Since the breakwaters provide significant wave and thus flood protection, the Port requested that FEMA re-analyze the projected Base Flood Elevations in the areas behind the breakwaters to account for the breakwater's effect on wave action.

FEMA is currently evaluating these comments and performing detailed coastal engineering analyses and mapping of the San Francisco Bay shoreline within the nine Bay Area counties. The analysis and mapping will provide the flood and wave data for the City's Flood Insurance Study and FIRM map panels along the Bay shoreline. FEMA is expected to issue a final FIRM for San Francisco in 2015.

In 2008 the City published an Interim Floodplain Map and adopted a floodplain management ordinance that FEMA has approved, to ensure any construction within the City's identified flood prone areas is built to standards to withstand the base flood. The Port of San Francisco Building Code contains equivalent standards for new construction and substantial rehabilitation of non-historic structures on Port land and, since 2010, standards for additions to, and substantial rehabilitation of, historic structures.

Risk of Tsunami

The California Geological Survey ("CGS"), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, has produced statewide tsunami inundation maps. CGS has identified the Port Area as being located in the San Francisco Tsunami Inundation Zone. Port facilities could be impacted by a tsunami that breaches San Francisco Bay. The Port does not carry tsunami insurance and the Port does not anticipate obtaining tsunami insurance for the Port Area. In the event facilities located within the Port Area are damaged or destroyed by a tsunami, the business operations and finances of the Port could be materially adversely affected.

Sea Level Rise

One of the most publicized impacts of global warming is the predicted acceleration of sea level rise. This acceleration would increase the historic rate of sea level rise, which has been measured in San Francisco Bay for over 140 years. Between 1900 and 2000, the level of the Bay increased by seven inches. Depending on which end of the range of projected temperature increases comes about, the California Climate Action Team found that the water levels in San Francisco Bay could rise an additional five inches to three feet, or nearly one meter by the end of this century. More recent analysis indicate that even higher sea level rise may occur from warming oceans which could lead to a 55-inch rise in 100 years, or higher depending upon the rate at which glaciers and other ice sheets on land melt.

Port facilities would be impacted by a sea level rise of 16 inches, a possible level projected to occur by 2050, by occasional flooding of some of the Port's facilities. A rise of 55 inches is expected to cause frequent flooding of the majority of the Port's facilities including the waterfront roadway, The Embarcadero. Many other areas of San Francisco, outside Port jurisdiction, are also expected to be subject to flooding with a 55 inch sea level rise. Therefore, it is expected that mitigation measures would need to be constructed to protect Port facilities if sea level rises significantly.

Acts of Terrorism and Force Majeure Events

The federal Department of Homeland Security has identified the major ports on the California coast, including the Port, and other ports in the United States, as facilities subject to a high level of risk of terrorist attacks. In addition, certain facilities on the Port are subject to regulation under the Maritime Transportation Security Act of 2002 ("MTSA") and regulations adopted thereunder, which require the Port to implement security measures designed to protect the ports and waterways of the U.S. from a terrorist attack. Regulated facilities at the Port include cargo, cruise and ferry facilities. In response to such concerns and in compliance with MTSA and other applicable regulations, the Port has undertaken additional security measures – both at facilities regulated under MTSA, and to protect Port facilities and public access areas not regulated under MTSA. However, the Port Commission cannot predict the likelihood of a terrorist attack on any of its facilities or the extent of damage or disruption that might result or the degree to which such compliance measures will be successful in preventing an attack. In addition, the Port Commission is not able to assess the ultimate cost of the security measures which are currently required by the MTSA and applicable regulations or which may be required in the future. Required security measures are reevaluated and modified frequently by the federal Department of Homeland Security. Such measures, and the cost of their implementation, could increase in the future. The Port's facilities are not insured by the Port Commission against terrorist attack. See "– No Insurance For Certain Losses" below.

The Port's facilities and its ability to generate Revenue from its properties are also at risk from other events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. While the Port Commission has attempted to address the risk of a loss from many of these sorts of occurrences through the purchase of commercial property and casualty insurance, certain of these events may not be covered by standard property and casualty insurance coverages. Notwithstanding that the Port Commission may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to the Port's facilities, the collection of lease rentals or other tariffs, fees and charges for the use of Port properties and other amounts comprising the Revenue could be impaired for an undetermined period.

No Insurance for Certain Losses

The Port Commission does not currently maintain insurance insuring against loss resulting from earthquake, tsunami, flood, losses to its fleet of vehicles from terrorist activity and certain other types of loss. The Port Commission would be required to pay for the costs resulting from any catastrophic loss from its budgetary reserves. It is expected that grant moneys from FEMA would be available to the Port Commission to pay a portion of such costs. However, such FEMA grant funds, if available at all, might not be available in amounts sufficient to pay a significant portion of such costs, and there can be no assurance that the Port Commission's budgetary reserves will be adequate to address any casualty or loss which its facilities might experience. See "PORT FINANCIAL OPERATIONS – Risk Management and Insurance."

Operation and Maintenance Expenses

The payment of principal of and interest on the Series 2014 Bonds will be made from the Net Revenue of the Port, which is comprised of the Revenue of the Port available after payment of the Operation and Maintenance Expenses of the Port. There can be no assurance that the Operation and Maintenance Expenses of the Port will continue at the levels that currently prevail. Such expenses could increase substantially and could cause the Port Commission to be unable to meet the debt service coverage requirement of the Indenture. The Port Commission has a limited ability to increase its rates, tariffs and charges and in all cases, such increases are subject to prevailing market conditions, which could cause such increases to raise the number of defaults under the Port's agreements with its tenants or to reduce the market demand for the Port's properties. See "PORT FINANCIAL OPERATIONS – Operation and Maintenance Expenses" herein.

Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation

The Port is subject to a wide variety of local, State, and federal transportation and environmental laws. Such laws include mandates with respect to the Port's properties and operations conducted thereon, including regulations governing uses of Port property, air emissions, stormwater compliance and discharges to San Francisco Bay, and handling of hazardous materials. The regulations governing the use of Port property and activities conducted on it are likely to evolve and become more restrictive over time.

The Port is currently subject to environmental compliance orders issued by regulatory agencies with purview over Port property or voluntary oversight by such agencies associated with known or suspected contamination of Port property or groundwater. These agencies include the San Francisco Bay Regional Water Quality Control Board and the San Francisco Department of Public Health. These orders and voluntary oversight typically arise from the activities of former Port tenants who are the primary responsible parties for such contamination. It is likely that future environmental investigations of Port property will result in identifying contamination that will result in additional orders and/or voluntary oversight. In some of these cases, the Port may have difficulty identifying parties responsible for the subject contamination. The costs to the Port to implement the compliance measures required by such orders and mandates are included as Operation and Maintenance Expenses of the Port, and are substantial. Such regulations are subject to amendment from time to time, and any such amendments could require the Port to undertake additional, costly compliance measures. The costs of such compliance measures and amendments could materially increase the Port's operating costs and thereby adversely affect Net Revenue.

The Port Area includes properties on which hazardous substances have been located. It is likely, due to the nature of past operations on Port properties, that additional Port properties will be found to have hazardous substances located on them. See "PORT FINANCIAL OPERATIONS – Environmental Compliance" herein. The Port as the owner of contaminated property may be liable in the event of a determination of the presence or discharge of hazardous substances on its property, irrespective of its knowledge of the presence or discharge of such substances, or its lack of responsibility for the existence of such substances on its property. Costs of remediation of these substances, if required, could be extremely high and could exceed the value or revenue generation potential of such properties. The costs of remediation could materially increase the Port's Operation and Maintenance Expenses and could thereby adversely affect the Net Revenue available to pay the Series 2014 Bonds. Insurance coverage for the costs of environmental liability of the Port may be limited and many such costs are not covered by commercial insurance policies.

Construction Risk

Construction on Port property involves difficulties peculiar to construction over water and on landfill such as tide-limited work hours and unanticipated soil conditions or buried objects. Construction of Port facilities is also subject to ordinary construction risks and delays applicable to projects of their kind, such as (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; or (vi) the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards.

Constitutional and Statutory Restrictions on Fees and Charges; Change in Law

The Port is subject to State, federal and City laws that restrict its operations. Such laws may be amended at any time. Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law that could limit the ability of the Port to impose and increase revenue sources and to spend such revenues, and that, under certain circumstances, could permit existing revenue sources of the Port to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if

enacted, could potentially have an adverse impact on the Port's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Articles XIII C and XIII D of the California Constitution. Proposition 218, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. The applicability of Proposition 218 to enterprise departments of cities, such as the Port, is unclear, but the Port believes that Proposition 218 is inapplicable to the fees and charges imposed by it. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased assessments, fees and charges. No assurance can be given that the Port will be able to raise assessments, fees and charges in the future to meet increased expenditure requirements, if it is later determined that the Port's fees and charges are subject to Proposition 218.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to the collection of revenues to repay bonds. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges by the Port.

Article XIII D contains several provisions intended to restrict the ability of local agencies to levy and maintain "assessments" and "fees" (as defined in Article XIII D) for "property related services." Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." A "property related service" is defined as "a public service having a direct relationship to property ownership." The Port is of the opinion that charges for its services are not property related fees or charges and therefore are not subject to the limits of Article XIII D. The Port cannot predict the future impact of Proposition 218 on the finances of the Port, and no assurance can be given that, due to subsequent interpretations of Proposition 218 by the courts, Proposition 218 will not have a material adverse impact on the Port's revenues.

Proposition 26. Proposition 26 was approved by voters of the State in November 2010 and revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments. The applicability of Proposition 26 to the Port is unclear, but the Port believes that Proposition 26 is inapplicable to the fees and charges imposed by it.

Future Changes in Laws. No assurance can be given that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State of California, resulting in a reduction of Net Revenue and, consequently, having an adverse effect on the security for the Series 2014 Bonds. No assurance can be given that the City electorate will not at some future time adopt an initiative or Charter amendment having an impact on the Port's operations and, consequently, having an adverse effect on the security for the Series 2014 Bonds.

Bankruptcy or Financial Failure of Tenant

The financial failure or bankruptcy of a Port tenant could adversely affect the ability of such tenant to honor its obligation under its lease, may affect the Port Commission's ability to enforce the terms of the lease against such tenant and could allow such tenant to reject its lease. Further, the Port Commission's right to receive payment of rent accrued prior to bankruptcy may be limited to the rights of an unsecured creditor of the bankrupt entity.

Two former Port co-tenants who had a lease at Pier 38, and one other current tenant are in bankruptcy proceedings. The Port Commission is in ongoing litigation with the former Pier 38 co-tenants. The other tenant in bankruptcy has been paying post-petition rents monthly and is expected to emerge from bankruptcy in 2014. See "LITIGATION" herein. The Port Commission is not aware of the existing or impending financial failure or bankruptcy of any other Port tenant, but there can be no assurance that a financial failure or bankruptcy of another tenant will not occur.

Uncertainties of Projections and Assumptions; Forward Looking Statements

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections including, but not limited to, those described under "PORT FINANCIAL OPERATIONS – Projected Debt Service Coverage." Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the Port Commission assumes no responsibility for the accuracy of such projections.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." All forward-looking statements are predictions and are subject to known and unknown risks and uncertainties. No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this official statement. Given their uncertainty, investors are cautioned not to place undue reliance on such statements.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under "TAX MATTERS," interest on the Series 2014A Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the Series 2014A Bonds as a result of future acts or omissions of the Port Commission in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Series 2014A Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2014 Bonds or, if a secondary market exists, that the Series 2014 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the Port Commission (the "Financial Statements") for the Fiscal Year ended June 30, 2013 are attached as Appendix C. See Appendix C – "PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013." The Financial Statements have been audited

by Macias Gini & O'Connell LLP, independent certified public accountants. The Port Commission prepares financial statements that are audited annually.

The Port has not requested nor did the Port obtain permission from Macias Gini & O'Connell LLP to include its report on the audited financial statements in Appendix C to this Official Statement. Macias Gini & O'Connell LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Macias Gini & O'Connell LLP also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The Port Commission has covenanted for the benefit of the Owners of the Series 2014 Bonds to provide certain financial information and operating data relating to the Port Commission not later than 270 days after the end of the Port Commission's Fiscal Year (which currently ends on June 30), commencing with the report for Fiscal Year 2013-14 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Port Commission with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website.

The specific nature of the information to be contained in the Annual Report or the notices of certain events is summarized in Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Port Commission is not in default with respect to any previous undertaking made with regard to said Rule.

In the last five years, the Port Commission has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual financial information or notices of material events.

TAX MATTERS

Series 2014A Bonds – Federal Tax Law

In the opinion of Jones Hall, A Professional Law Corporation, and Schiff Hardin LLP, Co-Bond Counsel, subject, however, to certain qualifications set forth below, under existing law, the interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes, except during any period while a Series 2014A Bond is held by a "substantial user" of the facilities financed by the Series 2014A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Tax Code"). It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations.

The opinion of Co-Bond Counsel is subject to the condition that the Port Commission comply with certain requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series 2014A Bonds. The Port Commission has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2014A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2014A Bonds.

Series 2014B Bonds - Federal Tax Law

The interest on the Series 2014B Bonds is not intended by the Port Commission to be excluded from gross income for federal income tax purposes.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Co-Bond Counsel informs owners of the Series 2014B Bonds that any U.S. federal tax advice contained in this Official

Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Series 2014B Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

State Law

In the further opinion of Co-Bond Counsel, interest on the Series 2014 Bonds is exempt from California personal income taxes.

Original Issue Discount; Original Issue Premium

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2014 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2014 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Series 2014 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2014 Bonds under federal individual and corporate alternative minimum taxes.

Limitation

Co-Bond Counsel expresses no opinion regarding any federal tax consequences arising with respect to the Series 2014A Bonds and the Series 2014B Bonds other than as expressly described above. Owners of the Series 2014A Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2014A Bonds may have federal or state tax consequences other than as described above for certain taxpayers, including without limitation, foreign corporations subject to the branch profits tax, financial institutions, property and casualty insurance companies, S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations. Prospective investors, particularly those who may be subject to special rules, should consult their own tax advisors regarding the tax consequences of owning the Series 2014A Bonds.

Form of Opinion

The form of opinion of Co-Bond Counsel is set forth as Appendix F hereto.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "___," "___" and "___," respectively, to the Series 2014 Bonds. The ratings issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2014 Bonds. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. There is no assurance that such ratings will be retained for any given period or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Series 2014 Bonds.

UNDERWRITING

The Series 2014 Bonds are being purchased by Siebert Brandford Shank & Co., L.L.C., as representative of itself and Stifel (together, the "Underwriters"). The Underwriters have agreed to purchase the Series 2014 Bonds at a purchase price of \$_____ (comprised of the principal amount of the Series 2014 Bonds, less a reoffering discount / plus net original issue premium of \$_____ on the Series 2014 Bonds, less an underwriters' discount in the amount of \$_____).

The purchase contract pursuant to which the Series 2014 Bonds are being sold provides that the Underwriters will purchase all of the Series 2014 Bonds if any Series 2014 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2014 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Port Commission, threatened against the Port Commission affecting the existence of the Port Commission or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Series 2014 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Series 2014 Bonds, the Indenture or any action of the Port Commission contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Port Commission with respect to the Series 2014 Bonds or any action of the Port Commission contemplated by any of said documents, nor, to the knowledge of the Port Commission, is there any basis therefor.

There are a number of litigation matters pending against the Port Commission for incidents at the Port, involving claims and suits which arise out of the ordinary course of business and operations of the Port. The Port Commission is also a named party in various other environmental and regulatory matters that are presently in the course of regulatory investigation and compliance review. Certain of such matters are discussed herein under the caption "PORT FINANCIAL OPERATIONS – Environmental Compliance." In the opinion of the Port General Counsel, an adverse judgment on any of these pending matters, either individually or in the aggregate will not have a material adverse effect on the Net Revenue or on the financial condition of the Port. Most of such claims involve claims relating to personal injury and property damage and most such claims are covered by a comprehensive insurance program maintained by the Port Commission. See "PORT FINANCIAL OPERATIONS – Risk Management and Insurance" herein.

CERTAIN LEGAL MATTERS

The validity of the Series 2014 Bonds and certain other legal matters are subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, and Schiff Hardin LLP, San Francisco, California, Co-Bond Counsel. Complete copies of the proposed forms of Co-Bond Counsel opinions are contained in Appendix F hereto, and will be made available to the Underwriters of the Series 2014 Bonds at the time of the original delivery of the Series 2014 Bonds. None of Co-Bond Counsel, Disclosure Counsel or Underwriters' Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Port Commission by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Curls Bartling PC, Oakland, California.

Hawkins Delafield & Wood LLP has served as disclosure counsel to the Port Commission and in such capacity has advised the Port Commission with respect to applicable securities laws and participated with

responsible Port Commission officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the Port Commission is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the issuance of the Series 2014 Bonds, Disclosure Counsel will deliver a letter to the Port Commission which advises the Port Commission, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of issuance of the Series 2014 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2014 Bonds, or other person or party other than the Port Commission, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the Port Commission.

ROLE OF THE FINANCIAL ADVISORS

Public Financial Management, Inc., San Francisco, California, and Backstrom McCarley Berry & Co., LLC, San Francisco, California are acting as Financial Advisors to the Port Commission with respect to the Series 2014 Bonds. The Financial Advisors have assisted the Port Commission in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2014 Bonds. The Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Port Commission to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisors assume no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisors will not purchase or make a market in any of the Series 2014 Bonds.

Compensation to be received by the Financial Advisors from the Port Commission for services provided in connection with the planning, structuring, execution and delivery of the Series 2014 Bonds is contingent upon the sale and delivery of the Series 2014 Bonds.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port Commission and the purchasers or owners of any of the Series 2014 Bonds. The preparation and distribution of this Official Statement has been authorized by the Port Commission. For copies, written request may be made to the Manager of Communications, Port of San Francisco, Pier 1, The Embarcadero, San Francisco, CA 94111.

APPROVAL AND EXECUTION

The execution and delivery of this Official Statement has been authorized by the Port Commission.

PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

By: _____
Monique Moyer
Executive Director

APPENDIX A

SUMMARY OF THE LEGAL DOCUMENTS

[To be updated by Co-Bond Counsel.] The following is a summary of certain of the definitions and terms of the Indenture of Trust and First Supplement to Indenture of Trust. The summary is not intended to be comprehensive and investors are advised to refer to the actual executed documents for the complete terms of the documents summarized below. Following delivery of the Series 2010 Bonds, the Indenture of Trust and First Supplement to Indenture of Trust will be on file with the Trustee.

DEFINITIONS

The following is a summary of certain of the defined terms from the Indenture.

"Accreted Value" shall mean, as of any date of calculation, with respect to any Capital Appreciation Bond, the initial principal amount thereof plus the interest accumulated, compounded and unpaid thereon as of such date of calculation if a compounding date, or if such calculation date is other than a compounding date, the most recently past compounding date.

"Act" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and all enactments of the Board adopted pursuant thereto, including Ordinance No. 258-09 adopted by the Board of the City on December 8, 2009 and signed by Mayor Gavin Newsom on December 18, 2009, and codified as Chapter 43, Article XII of the San Francisco Administrative Code.

"Amortized Bonds" shall mean those Bonds subject, pursuant to their terms, to optional or mandatory tender for purchase prior to maturity by or on behalf of the Commission or a Credit Provider.

"Annual Debt Service" shall mean in any Fiscal Year (i) the amount scheduled to become due and payable on the Outstanding Bonds or any one or more Series thereof in any Fiscal Year as (a) interest, plus (b) Principal Amount at maturity, plus (c) mandatory sinking fund redemptions, (ii) Swap Payments scheduled to be paid under an Interest Rate Swap and (iii) Repayment Obligations. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(i) All Principal Amount payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(ii) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such Variable Rate Bonds for each day during the 365 consecutive days (or any lesser period such Bonds have been outstanding) ending on the last day of the month next preceding the date of computation, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such Variable Rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iii) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon, as set forth in a certificate of the Commission prior to the date of delivery of such Bonds, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such variable rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iv) If any Interest Rate Swap is in effect pursuant to which the Commission pays Swap Payments at a variable rate, and such Interest Rate Swap is payable on a parity with the fixed rate Bonds to which it

relates, amounts payable under such Interest Rate Swap shall be included in the calculation of Annual Debt Service and calculated by the same method as variable rate interest pursuant to paragraphs (ii) and (iii) above, and the Annual Debt Service on such Bonds shall be adjusted to reflect the fixed rate to be received under such Interest Rate Swap;

(v) If any Bonds are Paired Obligations, the interest rate on such Bonds shall be the resulting fixed interest rate to be paid by the Commission with respect to such Paired Obligations;

(vi) Amortized Bonds shall be deemed to be amortized on a level debt service basis over the period beginning on the date of calculation to the date of final maturity of such Amortized Bonds at the then current Index Rate;

(vii) Capitalized interest on any Bonds and accrued interest paid on the date of initial delivery of any Series of Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and are held by the Trustee or other fiduciary for the Owners of such Bonds sufficient to pay such interest;

(viii) Repayment Obligations proposed to be entered into which are secured by Net Revenue on a parity with the Bonds as provided in the Indenture shall be deemed payable to the extent such Repayment Obligations are drawn upon and remain outstanding, and in such event, the amounts scheduled to be due under the Repayment Obligation shall be taken into account as Annual Debt Service; and

(ix) the interest rate on Build America Bonds shall be deemed to be reduced by the expected amount of Refundable Credit.

"Authenticating Agent" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission in the Indenture or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Authorized Commission Representative" shall mean the Executive Director or Deputy Director of Finance and Administration or the Finance Manager of the Commission, or the respective successors to the powers and duties thereof, or such other person as may be designated to act on behalf of the Commission by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by the Executive Director or Deputy Director of Finance and Administration or the Finance Manager of the Commission, or their respective successors.

"Board of Supervisors" shall mean the Board of Supervisors of the City and County of San Francisco, as duly elected, appointed and qualified from time to time in accordance with the provisions of the Charter.

"Bond Counsel" shall mean an attorney or firm of attorneys of national recognition selected or employed by the Commission with knowledge and experience in the field of municipal finance.

"Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission under the Indenture or under a Supplemental Indenture pursuant to the Indenture, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein. Bonds may also include, for the purposes of any particular provision of the Indenture as provided in a Supplemental Indenture, any other obligation, including but not limited to contractual obligations, entered into by the Commission pursuant to the terms thereof with a lien on Net Revenue on a parity with other Outstanding Bonds.

"Build America Bonds" shall mean a Series of Bonds that are subject to Section 54AA of the Code pursuant to an irrevocable election of the Commission or similar tax credit bonds.

"Business Day" shall mean, unless otherwise specified by Supplemental Indenture, any day of the week other than Saturday, Sunday or a day which shall be, in the State of California, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" shall mean Bonds the interest on which is compounded and accumulated at the rate or rates and on the date or dates set forth in the Supplemental Indenture authorizing the issuance thereof and which is payable only upon redemption and/or on the maturity date thereof.

"Charter" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

"City" shall mean the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Commission" shall mean the Port Commission of the City and County of San Francisco as duly constituted from time to time under the Charter, and all commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the Commission.

"Corporate Trust Office" shall mean the office of the Trustee at which its corporate trust business is conducted designated in writing to the Commission, which initially is located in San Francisco, California.

"Coverage" shall have the meaning provided in the Indenture.

"Credit Facility" shall mean a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the Principal Amount or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in a Supplemental Indenture.

"Credit Provider" shall mean the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to the Indenture.

"Delivery Costs" shall mean all items of expense directly or indirectly payable by or reimbursable to the Commission relating to the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing expenses, filing and recording fees, fees and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, bond insurance premiums or other fees in connection with credit enhancement or other credit facilities obtained in connection with Bonds, rating agency fees and any other cost, charge or fee in connection with the original issuance of Bonds.

"Delivery Costs Funds" shall mean, collectively, the Delivery Costs Funds established pursuant to the Indenture.

"Enterprise Fund" shall mean the San Francisco Harbor Trust Fund created pursuant to Section B6.406 of the Charter and held by the Treasurer, and any successor to such fund.

"Event of Default" shall mean any one or more of those events described as events of default under the Indenture.

"First Supplemental Indenture" shall mean the First Supplement to Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the Trustee.

"Fiscal Year" shall mean the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding calendar year, or such other one-year period as the Commission shall designate as its Fiscal Year.

"Fitch" shall mean Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Fund" or "Account" shall mean any fund or account established pursuant to the Indenture.

"Government Certificates" shall mean evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" shall mean direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Holder," "Bondholder," "Owner" and "Bondowner" shall mean the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar.

"IFD Revenues" shall mean revenues available to the Commission from an Infrastructure Financing District.

"Indenture" shall mean the Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the Trustee, as the same may be amended or supplemented pursuant to the terms thereof.

"Independent Auditor" shall mean a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the Commission.

"Index Rate" shall mean the rate equal to the SIFMA Municipal Swap Index, or if such index ceases to be published, a comparable index published by the SIFMA or its successor or, if no comparable index then exists, eighty percent (80%) of the interest rate on actively traded ten (10) year United States Treasury Obligations.

"Infrastructure Financing District" means any district established pursuant to Chapter 2.8 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California or a similar law.

"Insolvent" shall be used to describe the Trustee, any Paying Agent, Authenticating Agent, Registrar, other agent appointed under the Indenture or any Credit Provider, if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

"Interest Payment Date" shall mean, with respect to any Series of Bonds, each date specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof for the payment of interest on such Bonds.

"Interest Rate Swap" shall mean an agreement between the Commission and a Swap Counter Party related to Bonds of one or more Series whereby a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount.

"Master Indenture" shall mean the Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the Trustee.

"Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Bonds.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Net Revenue" shall mean Revenue less Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" shall mean, for any period, all expenses of the Commission incurred for the operation and maintenance of the Port Area, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses shall not include: (a) the principal of, premium, if any, or interest (including capitalized interest) on any Bonds, Subordinate Bonds, general obligation bonds issued by the City for Port Area purposes or other Port indebtedness; (b) any allowance for amortization, depreciation or obsolescence of the Port Area; (c) any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenue, including, but not limited to, Special Facility Revenue; (d) any extraordinary items arising from the early extinguishment of debt; (e) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Port Area which, under generally accepted accounting principles, are properly chargeable to the capital account or any reserves for depreciation; (f) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Port Area

properties; (g) items that are unusual or unrelated to the Commission's ordinary activities and would occur infrequently, including but not limited to litigation settlements or awards or other items not included in the annual budget or non-cash items paid over a number of years; (h) non-cash expenses arising from pension and post-employment pension benefits; and (i) dredging costs.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm of attorneys acceptable to the Trustee and the Commission, and who (except as otherwise expressly provided in the Indenture) may be either counsel for the Commission or for the Trustee.

"Outstanding" when used with reference to a Series of Bonds shall mean, as of any date of determination, all Bonds of such Series which have been executed and delivered under the Indenture except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in the Indenture or in any Supplemental Indenture authorizing the issuance thereof; (c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Indenture or of any Supplemental Indenture authorizing the issuance thereof; and (d) for purposes of any consent or other action to be taken under the Indenture by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Commission.

"Paired Obligations" shall mean any one or more Series (or portion thereof) of Bonds, designated as Paired Obligations in a Supplemental Indenture or a certificate of the Commission, which are simultaneously issued, executed or delivered and (i) the principal or notional amount of which, as applicable, is of equal amount and (ii) the interest rates on which, taken together, result in an irrevocably fixed rate obligation of the Commission for the term of such Bonds.

"Paying Agent" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission under the Indenture or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Payment Date" shall mean, with respect to any Series of Bonds, each Interest Payment Date and Principal Payment Date.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

- (a) Government Obligations and Government Certificates.
- (b) Obligations issued or guaranteed by any of the following:
 - Export-Import Bank of the United States;
 - Farmers Home Administration;
 - Federal Farm Credit System;
 - Federal Financing Bank;
 - Federal Home Loan Bank System;
 - Federal Home Loan Mortgage Corporation;

Federal Housing Administration;
Federal National Mortgage Association;
Government National Mortgage Association;
Private Export Funding Corporation
Resolution Funding Corporation;
Student Loan Marketing Association; and
any other instrumentality or agency of the United States.

(c) Prerefunded municipal obligations rated at the time of purchase of such investment in the highest rating category by the Rating Agencies then rating the Bonds and meeting the following conditions:

(i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such prerefunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated at the time of purchase of the investment in either of the two highest rating categories by the Rating Agencies then rating the Bonds.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated at the time of purchase of the investment in the highest rating category by the Rating Agencies then rating the Bonds.

(f) Interest-bearing demand or time deposits with, or banker's acceptances from, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits must be at least one of the following: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short-term rating categories by the Rating Agencies then rating the Bonds; (iii) if they have a maturity longer than one year, with or issued by banks that are rated at the time of purchase of the investment in one of the two highest rating categories by the Rating Agencies then rating the Bonds; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall

not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Long-term or medium-term corporate debt guaranteed by any corporation that is rated at the time of purchase of the investment in one of the two highest rating categories by the Rating Agencies then rating the Bonds.

(h) Repurchase agreements longer than one year with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated at the time of purchase of the investment "AA" or better by the Rating Agencies then rating the Bonds. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition.

(i) Prime commercial paper of a corporation, finance company or banking institution rated at the time of purchase of the investment in the highest short-term rating category by the Rating Agencies then rating the Bonds.

(j) State or public agency or municipality obligations rated at the time of purchase of the investment in the highest credit rating category by the Rating Agencies then rating the Bonds.

(k) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by the Rating Agencies then rating the Bonds.

(l) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by the Rating Agencies then rating the Bonds.

(m) Investment agreements the issuer of which is rated at the time of purchase of the investment "AA" or better by the Rating Agencies then rating the Bonds.

(n) The City and County of San Francisco Treasurer's Investment Pool.

(o) Any other debt or fixed income security specified by an Authorized Commission Representative and rated at the time of purchase of the investment in the highest short-term rating category or one of the three highest long-term rating categories by the Rating Agencies then rating the Bonds.

"Port Area" shall mean all real and personal property, which are owned, controlled or operated by the Commission or over which the Commission has management, supervision or control, or which the Commission deems to be of benefit to the Port Area.

"Port Consultant" shall mean a firm or firms of national recognition with knowledge and experience in the field of real estate and/or in the field of advising the management of ports as to the planning, development, operation and management of ports and port facilities, selected and employed by the Commission from time to time.

"Principal Amount" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof, and (b) with respect to any other Bonds, the stated principal amount thereof.

"Principal Payment Date" shall mean, with respect to any Series of Bonds, each date specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof for the payment of the Principal Amount of such Bonds either at maturity or upon prior redemption from mandatory sinking fund payments.

"Project Funds" shall mean, collectively, the Project Funds established pursuant to the Indenture.

"Qualified Self-Insurance" shall mean either (a) a program of self-insurance, or (b) insurance maintained with a fund, company or association in which the Commission shall have a material interest and of which the Commission shall have control, either singly or with others, and in each case which meets the requirements of the Indenture.

"Rating Agency" shall mean Moody's, Standard & Poor's and/or Fitch and any other rating agency designated by the Commission.

"Record Date" shall mean, with respect to any Series of Bonds, each date, if any, specified in the Indenture or in the Supplemental Indenture authorizing the issuance thereof as a Record Date.

"Refundable Credit" shall mean, with respect to a Series of Bonds that are Build America Bonds, the amounts which are payable by the Federal government under Section 6431 of the Code, which the Commission has elected to receive under Section 54AA(g)(1) of the Code.

"Registrar" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission in the Indenture or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Repayment Obligation" shall mean an obligation under a written agreement between the Commission and a Credit Provider to reimburse the Credit Provider for amounts paid under or pursuant to a Credit Facility for the payment of the Principal Amount or purchase price of and/or interest on any Bonds.

"Reserve Fund" shall mean the Reserve Fund established pursuant to the Indenture.

"Reserve Requirement" shall mean, as to each Series of Bonds and as of any calculation date, the amount provided in the Supplemental Indenture providing for the issuance of such Series of Bonds.

"Responsible Officer" when used with respect to the Trustee shall mean any corporate trust officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Revenue" shall mean all revenue earned by the Commission from or with respect to its management, supervision, operation and control of the Port Area, as determined in accordance with generally accepted accounting principles. Revenues shall include IFD Revenues to the extent permitted by law and designated as Revenues in a Supplemental Indenture. Revenue shall not include: (a) Special Facility Revenue and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenue by the Commission, (b) grants-in-aid, donations and/or bequests, which by their terms would be restricted to uses inconsistent with the purposes provided hereunder or (c) IFD Revenues unless designated by the Commission as Revenues in a Supplemental Indenture.

"Revenue Stabilization Fund" shall mean the amounts designated by the Commission on deposit in one or more funds of the Commission (including amounts designated in one or more existing funds or accounts of the Commission) which amounts are generally available to pay debt service on the Bonds and/or Operation and Maintenance Expenses.

"Series of Bonds" or "Bonds of a Series" or "Series" shall mean a series of Bonds issued pursuant to the Indenture.

"Series 2010 Bonds" shall mean collectively the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) and the Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010B (Federally Taxable).

"Series 2010A Bonds" shall mean the \$14,220,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt).

"Series 2010B Bonds" shall mean the \$22,430,000 aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2010B (Federally Taxable).

"Series 2010 Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Commission, dated the closing date of the Series 2010 Bonds, as originally executed and as each may be amended from time to time.

"Series 2010A Delivery Costs Fund" shall mean the fund by that name established pursuant to the First Supplemental Indenture.

"Series 2010B Delivery Costs Fund" shall mean the fund by that name established pursuant to the First Supplemental Indenture.

"Series 2010A Project Costs Fund" shall mean that certain fund established pursuant to the First Supplemental Indenture.

"Series 2010B Project Costs Fund" shall mean that certain fund established pursuant to the First Supplemental Indenture.

"Series 2010A Reserve Account" shall mean the Series 2010A Reserve Account in the Reserve Fund established pursuant to the First Supplemental Indenture.

"Series 2010B Reserve Account" shall mean the Series 2010B Reserve Account in the Reserve Fund established pursuant to the First Supplemental Indenture.

"Special Facility" shall mean any existing or planned facility, structure, equipment or other property, real or personal, which is at the Port Area or a part of any facility or structure at the Port Area and which is designated as a Special Facility pursuant to the Indenture.

"Special Facility Bonds" shall mean any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by, or certificates of participation executed on behalf of, the Commission to finance a Special Facility, the principal, premium, if any, and interest with respect to which are payable from and secured by the Special Facility Revenue derived from such Special Facility, and not from or by Net Revenue.

"Special Facility Revenue" shall mean the revenue earned by the Commission from or with respect to a Special Facility and which is designated as such by the Commission, including but not limited to contractual payments to the Commission under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the Commission and the person, firm, corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility.

"Standard & Poor's" shall mean Standard & Poor's Rating Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation

shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Subordinate Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission pursuant to the Indenture, including but not limited to, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

"Supplemental Indenture" shall mean an indenture supplementing or amending the provisions of the Indenture which is adopted by the Commission pursuant to the Indenture.

"Swap Counter Party" shall mean a member of the International Swap Dealers Association rated in one of the three top rating categories by both Rating Agencies.

"Swap Payments" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counter Party by the Trustee, on behalf of the Commission.

"Swap Receipts" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the Commission by the Swap Counter Party.

"Tax Certificate" shall mean a certificate executed by an Authorized Commission Representative on behalf of the Commission with respect to any Series of Bonds relating to the federal tax aspects of the use of the proceeds of such Bonds and other related matters.

"Treasurer" shall mean the Treasurer of the City, and any successor to his or her duties under the Indenture.

"Trustee" shall mean U.S. Bank National Association, and any successor to its duties under the Indenture.

"Variable Rate Bonds" shall mean any Bonds the interest rate on which is not fixed to maturity as of the date of calculation.

THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture.

Funds

Creation of Funds and Accounts. The Enterprise Fund has previously been created and shall be continued and held by the Treasurer. There is created a Debt Service Fund and a Reserve Fund to be held by the Trustee in trust for the benefit of the Bondholders. The Commission may create such other Funds or Accounts for the allocation and application of Revenue or other moneys as it shall deem necessary or desirable.

Debt Service Fund. The Commission shall establish with the Trustee a separate account or accounts in the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust by the Trustee and applied to pay Principal Amount and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth in the Indenture and in the Supplemental Indentures with respect thereto; provided, however, that each Supplemental Indenture shall require to the extent practicable that amounts be accumulated in the applicable accounts in the Debt Service Fund so that moneys sufficient to make any

regularly scheduled payment of Principal Amount of or interest on the Bonds are on deposit therein at least one (1) Business Day prior thereto. Moneys in the accounts in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indentures with respect thereto.

If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds.

Reserve Fund. The Reserve Fund shall be funded in an amount at least equal to the Reserve Requirement; provided, however, that the Commission may by Supplemental Indenture establish a separate Account or Accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein shall be held in trust by the Trustee for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund shall be funded and replenished in the amounts, at the times and in the manner provided in the Indenture or in the Supplemental Indentures with respect thereto. Moneys in the respective Accounts in the Reserve Fund shall be applied to pay and secure the payment of such Bonds as provided in the Indenture or in the Supplemental Indenture with respect thereto. Moneys in an Account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the Indenture or in the Supplemental Indenture with respect thereto.

The Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank if the obligations insured by such insurer or issued by such bank, as the case may be, initially have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two highest rating categories of the Rating Agencies then rating the Bonds.

Investment of Moneys. Moneys in all Funds and Accounts held by the Trustee shall be invested as soon as practicable upon receipt in Permitted Investments as directed in writing by an Authorized Commission Representative; provided, that (i) pursuant to such written direction, the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, and (ii) in the absence of direction from an Authorized Commission Representative, the Trustee shall invest moneys in the Permitted Investments described in clause (l) of the definition thereof or such other Permitted Investment identified in writing by an Authorized Commission Representative. Anything in the Indenture to the contrary notwithstanding, moneys in all Funds and Accounts held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time.

Investment of amounts in any Fund or Account shall be made in the name of such Fund or Account.

Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment; provided, however, that (i) each such investment complies in all respects with the provisions of the Indenture as they apply to each Fund or Account for which the joint investment is made, and (ii) separate records are maintained for each Fund and Account and such investments are accurately reflected therein.

The Trustee may make any investment permitted by the Indenture through or with its own commercial banking or investment departments, unless otherwise directed by the Commission, provided, however, that the details of such transactions and relationships and all fees charged or received by the Trustee in such transactions shall be disclosed to the Commission.

Except as otherwise specifically provided in the Indenture, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued at the current market value thereof or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

Any transfer to or deposit in any Fund or Account required by the Indenture may be satisfied by transferring or depositing an investment with a market value equal to the required transfer or deposit in lieu of transferring or depositing cash.

Earnings in any Fund or Account shall remain on deposit in such Fund or Account unless otherwise provided in the Indenture or in a written direction of an Authorized Commission Representative.

General Covenants of the Commission

Payment of Principal and Interest; Negative Pledge. (a) The Commission covenants and agrees that it promptly will pay or cause to be paid the Principal Amount and purchase price of, premium, if any, and interest on each Bond issued under the Indenture at the place, on the dates and in the manner provided in the Indenture, in any applicable Supplemental Indenture and in said Bond according to the terms thereof but solely from the sources pledged to such payment or from such other sources or revenue as may lawfully be used for such payment.

(b) The Commission covenants and agrees that it will not create any pledge of, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Revenue or Net Revenue except as provided in the Indenture for the benefit of the Bonds or except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest provided in therein for the benefit of the Bonds.

(c) The Commission covenants that it shall not issue, or cooperate with the issuance of, any bonds or other obligations secured by Net Revenue prior to the Bonds so long as any Bonds remain Outstanding under the Indenture.

Covenant to Maintain Net Revenue Coverage. The Commission covenants and agrees that it will manage its business operations and establish and at all times maintain rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Commission in connection with the Port Area so that Net Revenue in each Fiscal Year as a percentage of Annual Debt Service for such Fiscal Year ("Coverage") will be at least equal to 130%.

The Commission covenants that if Net Revenue in any Fiscal Year is less than the amount specified in the Indenture, the Commission will retain and direct a Port Consultant to make recommendations as to the revision of the Commission's business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and for services rendered by the Commission in connection with the Port Area and shall take such recommendations into account for future budgets and management.

In the event that Net Revenue for any Fiscal Year is less than the amount specified in the Indenture, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all reasonable measures to revise its business operations and/or its schedule of rentals, rates, fees and charges as required by the Indenture, such deficiency in Net Revenue shall not constitute an Event of Default under the provisions thereof. Nevertheless, if after taking the measures required thereunder to revise its business operations and/or its schedule of rentals, rates, fees and charges, Net Revenue in such next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for such Fiscal Year) is less than the amount specified thereunder, such deficiency in Net Revenue shall constitute an Event of Default under the provisions of thereof.

In determining Net Revenue pursuant to the Indenture, the Commission may take into account as a credit the amount on deposit in the Revenue Stabilization Fund on June 30 of each Fiscal Year; provided that the Commission shall maintain Coverage equal to at least 100% without regard to any credit for any such amounts or deposits in the Revenue Stabilization Fund.

Operation and Maintenance of Port Area. The Commission covenants that it will operate and maintain the Port Area as a revenue producing enterprise in accordance with law, including but not limited to the Charter and the Act. The Commission will make such repairs to the Port Area as shall be required to enable it to perform its covenants contained in the Indenture, including, without limitation, the covenants contained in the Indenture.

The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Port Area or upon any part thereof, or upon the revenue from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Port Area or such revenue, or which might materially impair the security of the Bonds. Notwithstanding the foregoing, the Commission need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the Commission shall contest the validity or application thereof in good faith.

The Commission will continuously operate the Port Area so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the Commission shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Maintenance of Powers; Retention of Assets. The Commission covenants that it will use its reasonable efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to materially, adversely impact the payment of the Bonds or any other obligation secured under the Indenture or the performance or observance of any of the covenants therein contained.

The Commission covenants that it will not dispose of assets necessary to operate the Port Area in the manner and at the levels of activity required to enable it to perform its covenants contained in the Indenture, including, without limitation, the covenants contained therein.

The Commission covenants that it shall not apply Revenue or any other revenue of the Commission generated at or with respect to the Port Area for other than Port Area purposes as provided in the Charter.

Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

The Commission shall procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or Qualified Self-Insurance on the Port Area against such risks as are usually insured by other ports which are similar in their operations to the Port Area. Such insurance or Qualified Self-Insurance shall be in an adequate amount as to the risk insured against as determined by the Commission. The Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity.

Any Qualified Self-Insurance shall be established in accordance with applicable law; shall include reserves or reinsurance in amounts which the Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance, including without limitation any potential retained liability in the event of the termination of such Qualified Self-Insurance.

The proceeds of any material claim on insurance shall be applied solely for Port Area purposes. Further, the proceeds of any casualty insurance shall, within a reasonable period of time, be applied to (1) replace the Port Area facilities which were damaged or destroyed, (2) provide additional revenue-producing Port Area facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture.

Financial Records and Statements. The Commission shall maintain proper books and records in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. The Commission shall have an annual audit made by an Independent Auditor and shall within 210 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the Commission for such Fiscal Year.

All such books and records pertaining to the Port Area shall be open upon reasonable notice during regular business hours to the Trustee or the representatives thereof duly authorized in writing.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Commission covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) *Private Activity.* The Commission will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) *Arbitrage.* The Commission will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) *Federal Guarantee.* The Commission will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) *Information Reporting.* The Commission will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) *Miscellaneous.* The Commission will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(f) *Taxable Bonds and Build America Bonds.* Notwithstanding the foregoing, the Commission may issue Series of Bonds that are intentionally not exempt from taxation and may issue Series of Bonds that are Build America Bonds.

Eminent Domain. If a Port Area facility or Port Area facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Commission shall create within the Port Area Enterprise Fund a special account and credit the net proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the Port Area facilities which were taken or conveyed, (2) provide additional revenue-producing Port Area facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Indenture.

Default and Remedies

Events of Default. Each of the following is declared an "Event of Default" under the Indenture:

- (a) if payment of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;
- (b) if payment of the Principal Amount of any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;
- (c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Indenture providing for the issuance of such Bond shall not be made in full when due;
- (d) if the Commission shall fail to observe or perform any other covenant or agreement on its part under the Indenture, other than the covenant or agreement set forth therein, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Commission by the Trustee, or to the Commission and the Trustee by the Owners of at least 25% in aggregate Principal Amount of Bonds then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default as long as the Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;
- (e) subject to the Indenture, if the Commission is required pursuant thereto to take measures to revise its business operations and/or its schedule of rentals, rates, fees and charges for the use of the Port Area and Net Revenue for the Fiscal Year in which such adjustments are made are less than the amount specified under the Indenture;
- (f) if either the Commission or the City shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Commission or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to entry of an order for relief under the federal Bankruptcy Code, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;
- (g) The occurrence of any other Event of Default as provided in a Supplemental Indenture.

Acceleration. (i) In each and every such case of the continuance of an Event of Default under the Indenture, the Trustee may, and upon the written request of the Credit Provider or Providers as provided in any Supplemental Indenture or the Holders of not less than fifty-one percent (51%) in aggregate Principal Amount of the Bonds then Outstanding shall, by notice in writing to the Commission, declare the Principal Amount of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon such declaration of the same, payment of the Principal Amount of all of the Bonds then Outstanding, and the interest accrued thereon, shall be and shall become immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

(ii) Promptly after any acceleration of the Bonds, the Trustee shall cause a notice thereof to be mailed, first class, postage prepaid, to all Holders of Bonds and, if provided by a Supplemental Indenture, to one or more Credit Providers. Failure to mail any such notice, or any defect in any notice so mailed, shall not affect such acceleration.

(iii) Notwithstanding paragraph (i) above, if at any time after the Principal Amount of the Bonds shall have become due and payable pursuant to an acceleration thereof, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, (i) sufficient moneys (other than moneys drawn by the Trustee under any Credit Facility) shall have accumulated in the Debt Service Fund to pay the Principal Amount of all matured Bonds of each Series and all arrears of interest, if any, upon all such Bonds then Outstanding (except the Principal Amount of any such Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date), (ii) the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Commission under the Indenture shall have been paid or moneys sufficient to pay the same shall have been deposited with the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds of each Series or in the Indenture (other than a default in the payment of the Principal Amount of such Bonds then due and payable only because of a declaration under the Indenture) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee shall, by a notice in writing to the Commission, rescind and annul such acceleration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Remedies and Enforcement of Remedies. Subject to the provisions of Supplement Indentures regarding the rights of any Credit Providers, the occurrence and continuance of an Event of Default, the Trustee may, or upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate Principal Amount of the Bonds together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Indenture and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Actions to recover money or damages due and owing;
- (ii) Actions to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds; and
- (iii) Enforcement of any other right of such Bondholders conferred by law, including the Act, or by the Indenture, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Commission of actions required by the Act or the Indenture, including the fixing, charging and collection of fees or other charges.

Application of Revenue and Other Moneys After Default. During the continuance of an Event of Default, all moneys held and received by the Trustee with respect to the Bonds pursuant to any right given or action taken under the provisions of the Indenture, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect to such Event of Default, be applied as follows; provided, however, that any proceeds of a Credit Facility, if any, and amounts held in the Debt Service Fund and the Reserve Fund pledged to a particular Series of Bonds shall be applied solely to pay Principal Amount, premium, if any, purchase price, if any, of or interest, as applicable, on the related Series of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amounts and premium, if any, of any such Bonds which shall have become due (other than Bonds previously called for

redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at maturity, upon tender or purchase or acceleration or by proceedings for redemption or otherwise, in the order of their due dates as provided in the Indenture and in the Supplemental Indenture under which they were issued, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the Principal Amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee after a default, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with the Indenture, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give such notice as it may deem appropriate in accordance with the Indenture of the deposit with it of any such moneys, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever the Principal Amount, premium, if any, purchase price, if any, and interest thereon of all Bonds of a Series have been paid under the provisions of the Indenture and all expenses and charges of the Trustee have been paid, and each Credit Provider, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay Principal Amount, premium, if any, purchase price, if any, and interest on the Bonds and no Repayment Obligation shall be outstanding, any balance remaining shall be paid first to such Credit Provider to the extent any other amounts are then owing to such Credit Provider under the applicable agreement, and then to the Commission or as a court of competent jurisdiction may direct.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute, including the Act, on or after the date of the Indenture.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of the Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Control of Proceedings. If an Event of Default shall have occurred and be continuing, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of the Bonds of one or more Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions of the Indenture; provided, that such direction is in accordance with law and the provisions of the Indenture (including indemnity to the Trustee as provided in the Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of such Series of Bonds not joining in such direction; and provided further, that nothing therein shall impair the right of the Trustee in its discretion to take any other action thereunder which it may deem proper and in accordance with the Indenture and which is not inconsistent with such direction by Bondholders.

If an Event of Default with respect to shall have occurred and be continuing, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Net Revenue or other assets securing all Bonds in connection with the enforcement of the terms and conditions under the Indenture, provided, that such direction is in accordance with law and the provisions of the Indenture (including indemnity to the Trustee as provided

in the Indenture) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction; and provided further, that nothing thereunder shall impair the right of the Trustee in its discretion to take any other action thereunder which it may deem proper in accordance with the Indenture and which is not inconsistent with such direction by Bondholders.

Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy under the Indenture unless:

(i) an Event of Default has occurred with respect to such Series (A) under subsection (a), (b), (c) or (g) of the definition of an Event of Default of which the Trustee is deemed to have notice, or (B) under subsection (d), (e) or (f) of the definition of Event of Default as to which the Trustee has actual knowledge, or (C) as to which the Trustee has been notified in writing by the Commission, or (D) as to which the Commission and the Trustee have been notified in writing by the Holders of at least twenty-five percent (25%) in aggregate Principal Amount of the Bonds then Outstanding;

(ii) the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Bonds then Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in the Indenture; and

(iv) the Trustee shall have failed or refused to exercise the powers therein granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds of any Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner therein provided and for the equal benefit of the Holders of all Bonds then Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of Bonds.

Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to the Bondholders, then the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Waiver of Event of Default. (a) No delay or omission of the Trustee, of any Holder of the Bonds or, if provided by the Indenture or by Supplemental Indenture, any Credit Provider, to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or, an acquiescence therein. Every power and remedy given by the Indenture to the Trustee, the Holders of the Bonds and, if provided thereby or by Supplemental Indenture, any Credit Provider, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Trustee, with the consent of any Credit Provider if required by Supplemental Indenture (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility), may waive any Event of Default with respect to the Bonds that, in its opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted, before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of (i) the Credit Provider, if any, if required by Supplemental Indenture, or (ii) Holders of at least fifty-one percent (51%) of the aggregate Principal Amount of Bonds then Outstanding, with the consent of the applicable Credit Provider, if any, if provided for thereby or by Supplemental Indenture, shall waive any such Event of Default under the Indenture and its consequences; provided, however, that a default in the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on any such Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds then Outstanding of such Series to which such Event of Default applies and any consent of the applicable Credit Provider, if any, if provided for by the Indenture or by Supplemental Indenture.

In case of any waiver by the Trustee of an Event of Default under the Indenture, the Commission, the Trustee, the Bondholders and, if required by Supplemental Indenture, the Credit Provider, if any, shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with the Indenture.

Notice of Default. (a) Promptly, but in any event within 30 days after the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to the Indenture, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of registered Bonds then Outstanding, provided that, except in the case of a default in the payment of Principal Amounts, sinking fund installments, purchase price or the redemption price of or interest on any of the Bonds, the Trustee may withhold such notice to such Holders if, in its sole judgment in accordance with the Indenture, it determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

(b) The Trustee shall promptly notify the Commission, the Treasurer, the Registrar and any Credit Provider, if required by the Indenture or by a Supplemental Indenture, of the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to the Indenture.

Limitations on Remedies. It is the purpose and intention of the Indenture to provide rights and remedies to the Trustee and Bondholders which lawfully may be granted under the provisions of the Act, but should any right or remedy therein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled as above set forth to every other right and remedy provided therein and by law.

Credit Providers to Control Remedies. While a Credit Facility (other than a Credit Facility on deposit in the Reserve Fund) with respect to any Bonds is in effect, notwithstanding anything else in the Indenture to the contrary, a Supplemental Indenture may provide that so long as the Credit Provider is not Insolvent and is not in default under its Credit Facility, no right, power or remedy under the Indenture with respect to such Bonds may be pursued without the prior written consent of such Credit Provider. The Supplemental Indenture may further provide that the Credit Provider shall have the right to direct the Trustee to pursue any right, power or remedy available under the Indenture with respect to any assets available under the Indenture which secure no Bonds other than the Bonds secured by such Credit Facility.

Incontestability of Bonds. The provisions of the Indenture shall constitute a contract between the Commission and the Owners of the Bonds, and from and after the issuance of a Series of Bonds and their sale and delivery by the Commission, the Bonds shall be incontestable by the Commission.

Limitation on Commission's Obligation. The Owners of the Bonds issued thereunder expressly understand and agree by their acceptance of the Bonds, that as of the date of the Indenture the Commission has no taxing power whatsoever, and nothing in the Indenture shall be deemed to require the Commission to advance any moneys derived from the levy or collection of taxes by the City for the payment of the Principal Amount of, purchase price, if any, premium, if any, or interest on the Bonds. Neither the credit nor the taxing power of the City is pledged for the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on the Bonds, and the general fund of the City is not liable for the payment of the Bonds or the interest thereon. The Owners of the Bonds cannot compel the exercise of the taxing power by the City or the forfeiture of its property or the property of the Commission.

The principal of and interest on the Bonds and any premiums upon the redemption of any thereof are not a debt of the Commission nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or on any of its income, receipts or revenue except the Net Revenue and other funds that may be legally applied, pledged or otherwise made available to their payment as in the Indenture provided.

Neither the Commission nor any officer thereof shall be liable or obligated for the payment of the Principal Amount, premium, if any, purchase price, if any, of or interest on the Bonds or for any payment agreed to be made or contemplated to be made pursuant to any of the terms of the Indenture, save and except solely and exclusively from Net Revenue and the other moneys pledged thereto pursuant to the Indenture or any Supplemental Indenture authorizing the issuance thereof. Nothing in the Indenture shall prevent the Commission from making advances of its funds howsoever derived to any of the uses and purposes in the Indenture mentioned, provided such funds are derived from any source legally available for such purpose and may be used by the Commission for such purpose without incurring indebtedness.

The Trustee

Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee shall have a right to payment prior to the Bonds as to all property and funds held by it (other than the Rebate Fund) for any reasonable amount owing to it or any predecessor Trustee pursuant to the Indenture and the rights of the Trustee to reasonable compensation for its services and to payment or reimbursement for its reasonable costs or expenses shall have priority over the Bonds in respect of all property or funds held or collected by the Trustee as such and other funds held in trust by the Trustee for the benefit of the Holders of particular Bonds; provided, however, that neither the Trustee nor any predecessor Trustee shall have any lien or claim for payment of any such compensation, reimbursement or other amounts against moneys paid under any Credit Facility or proceeds of a remarketing.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondholders. The Commission may adopt, without the consent of or notice to any of the Holders, one or more Supplemental Indentures for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising thereunder that shall not have a material adverse effect on the interests of the Holders;

(c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional revenue or provide additional security or reserves for payment of any Bonds;

(e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants set forth in the Indenture, pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;

(f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds under the Indenture, including covenants and provisions with respect thereto which do not violate the terms of the Indenture;

(g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(h) to confirm, as further assurance, any interest of the Trustee in and to the Net Revenue or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the Indenture;

(i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;

(j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds;

(k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds; and

(l) to make any other change or addition to the Indenture which, in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders.

Supplemental Indentures Requiring Consent of Bondholders. (a) Other than Supplemental Indentures referred to above and subject to the terms, provisions and limitations contained in the Indenture, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of the Outstanding Bonds of all Series affected by such amendment may consent to or approve, which consent to or approval shall be in writing, the execution by the Commission of such Supplemental Indentures as shall be deemed necessary and desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions with respect to such Series contained in the Indenture; provided, however, nothing in the Indenture shall permit or be construed as permitting a Supplemental Indenture which would:

(i) extend the stated maturity of or time or change the currency for paying the Principal Amount or purchase price of, premium, if any, or interest on any Bond or reduce the Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) except as expressly permitted by the Indenture, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) permit the creation of a lien not expressly permitted by the Indenture upon or pledge of the Net Revenue ranking prior to or on a parity with the lien of the Indenture or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Indenture, without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Commission shall propose the adoption of a Supplemental Indenture pursuant to Bondholder consent, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed adoption of such Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Holders of Bonds of any affected Series then outstanding at their addresses as they appear on the registration books provided for in the Indenture. The Trustee, however, shall not be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided. Such notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding one year, as shall be prescribed by the Commission, following the first giving of a notice as provided in subsection (b) above, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount of Bonds specified in subsection (a) above for the Supplemental Indenture in question which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may accept such Supplemental Indenture in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange thereof (regardless of whether such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the acceptance by the Trustee of such Supplemental Indenture, such revocation. At any time after the Holders of the required Principal Amount of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Commission a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required Principal Amount of the Bonds Outstanding shall have consented to and approved the adoption by the Commission of such Supplemental Indenture as provided, no Holder of any Bond shall have any right to object to the adoption thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Commission from adopting the same or taking any action pursuant to the provisions thereof.

Satisfaction, Discharge and Defeasance

Discharge. If payment of all Principal Amount of, premium, if any, and interest on a Series of Bonds in accordance with their terms and as provided in the Indenture is made, or is provided, and if all other sums payable by the Commission under the Indenture with respect to such Series of Bonds shall be paid or provided for, then the pledge, lien, and security interests granted thereby shall cease with respect to such Series; provided, however, that the rebate provisions, if any, of the Indenture or of the related Supplemental Indenture shall survive so long as there is any amount due to the federal government pursuant to the provisions of the Indenture or of such Supplemental Indenture. Thereupon, upon the request of the Commission, and upon receipt by the Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge as provided above of the lien of the Indenture have been satisfied with respect to such Series of Bonds, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture with respect to such Series of Bonds. If the lien thereof has been discharged with respect to all Series of Bonds, the Trustee shall transfer all property held by it thereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the Commission or such other person as may be entitled thereto as their respective interests may

appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

The Commission may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Commission at its option may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Defeasance. Payment of any Bonds may be provided for by the deposit with the Trustee of moneys, noncallable Governmental Obligations, noncallable Government Certificates or prerefunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in the Indenture, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or prerefunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the Principal Amount, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on such Bonds. The moneys, Government Obligations, Government Certificates and prerefunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the Principal Amount or purchase price or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee to give notice of redemption and to notify all Owners of affected Bonds that the deposit required by the Indenture has been made and that such Bonds are deemed to be paid in accordance with the Indenture and stating the applicable maturity date or redemption date and redemption price.

The Trustee shall receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of any Bonds in the case of a defeasance thereof.

Bonds the payment of which has been provided for in accordance with the Indenture shall no longer be deemed Outstanding thereunder. The obligation of the Commission in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates and prerefunded municipal obligations deposited with the Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purposes is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Payment of Bonds After Discharge. Notwithstanding the discharge of the lien as provided in the Indenture, the Trustee nevertheless shall retain such rights, powers and duties under the Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds, including without limitation pursuant to any mandatory sinking fund redemptions, and the registration, transfer, exchange and replacement of Bonds as provided therein. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the Principal Amount of, premium, if any, or interest on any Bond remaining unclaimed for one (1) years after such payment has become due and payable, or such other period provided by law, whether at maturity or upon proceedings for redemption, shall be disposed of pursuant to the provisions of the Indenture. After discharge of the lien thereof, but prior to payment of such amounts to Holders or as provided pursuant to the Indenture, the Trustee shall invest such amounts in Government Obligations or prerefunded municipal obligations described in the definition of Permitted Investments in the Indenture for the benefit of the Commission.

FIRST SUPPLEMENT TO INDENTURE OF TRUST

The following is a summary of certain provisions of the First Supplement to Indenture of Trust.

Series 2010 Interest and Principal Accounts. Moneys accumulated in the Enterprise Fund shall be transferred by the Commission to the Trustee for deposit in the Debt Service Fund as provided in the Indenture; provided, that the following accounts are created in the Debt Service Fund held by the Trustee with respect to the Series 2010 Bonds; provided further, however, that to the extent that deposits have been made in any of the accounts referred to below from the proceeds of the sale of the Series 2010 Bonds or otherwise, the deposits below need not be made:

(a) *Series 2010 Interest Account.* On or before the Business Day prior to each Series 2010 Interest Payment Date, the Commission shall transfer from the Enterprise Fund to the Trustee for deposit in the Series 2010 Interest Account within the Debt Service Fund (which account is created by the First Supplement to Indenture), the interest to become due on the Series 2010 Bonds on such Series 2010 Interest Payment Date; provided that the Commission need not transfer any moneys at such time as the balance in said Series 2010 Interest Account shall be equal to the aggregate amount of interest becoming due and payable on the then Outstanding Series 2010 Bonds on the next succeeding Series 2010 Interest Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund any interest accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may thereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(b) *Series 2010 Principal Account.* On or before the Business Day prior to each Series 2010 Principal Payment Date, the Commission shall transfer from the Enterprise Fund to the Trustee for deposit in the Series 2010 Principal Account within the Debt Service Fund (which account is created by the First Supplement to Indenture), the Principal Amount to become due on the Series 2010 Bonds on such Series 2010 Principal Payment Date; provided that the Commission need not transfer any moneys at such time as the balance in said Series 2010 Principal Account shall be equal to the aggregate Principal Amount becoming due and payable on the then Outstanding Series 2010 Bonds on the next succeeding Series 2010 Principal Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund any principal accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may thereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

(c) *Reserve Fund.* Immediately after making the transfers described in paragraphs (a) and (b) above, transfers shall be made by the Commission to the Trustee from the Enterprise Fund to the Series 2010A Reserve Account and the Series 2010B Reserve Account, on or before the first Business Day of each month, commencing April 1, 2011 in an amount equal to that sum, if any, necessary to restore the Series 2010A Reserve Account to an amount equal to the Series 2010A Reserve Requirement and the Series 2010B Reserve Account to an amount equal to the Series 2010B Reserve Requirement. The obligation to make the foregoing transfers to the Series 2010A Reserve Account and the Series 2010B Reserve Account shall be on a parity without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference. If provided for in a Supplemental Indenture, the obligation to make the foregoing transfers shall be on a parity with the obligation to fund any separate reserve accounts within the Reserve Fund henceforth created under the Indenture with respect to any additional Series of Bonds which may thereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

Reserve Fund. The Series 2010A Reserve Account in the Reserve Fund is established with the Trustee. The Reserve Requirement for the Series 2010A Bonds shall be the Series 2010A Reserve Requirement. The Series 2010A Reserve Account shall benefit only the Series 2010A Bonds and any additional Series of Bonds designated in a Supplemental Indenture. The amounts on deposit in the Series 2010A Reserve Account shall secure on a parity

basis the Series 2010A Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. If on any Series 2010 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2010A Bonds on such Series 2010 Payment Date (or any Series of Bonds to the extent so designated in a Supplemental Indenture on its Payment Dates), then the Trustee shall withdraw the amount of any such deficiency from the Series 2010A Reserve Account and deposit such amount in the Debt Service Fund. All money on deposit in the Series 2010A Reserve Account in excess of the Series 2010A Reserve Requirement shall be transferred to the Commission or to such account as the Commission may designate; and for this purpose all investments in the Series 2010A Reserve Account shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest).

The Series 2010B Reserve Account in the Reserve Fund is established with the Trustee. The Reserve Requirement for the Series 2010B Bonds shall be the Series 2010B Reserve Requirement. The Series 2010B Reserve Account shall benefit only the Series 2010B Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. The amounts on deposit in the Series 2010B Reserve Account shall secure on a parity basis the Series 2010B Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. If on any Series 2010 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2010B Bonds on such Series 2010 Payment Date (or any Series of Bonds designated in a Supplemental Indenture on its Payment Dates), then the Trustee shall withdraw the amount of any such deficiency from the Series 2010B Reserve Account and deposit such amount in the Debt Service Fund. All money on deposit in the Series 2010B Reserve Account in excess of the Series 2010B Reserve Requirement shall be transferred to the Commission or to such account as the Commission may designate; and for this purpose all investments in the Series 2010B Reserve Account shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest) provided that such amounts released upon redemption or maturity of the Series 2010B Bonds shall first be transferred to the Series 2010A Reserve Account to the extent needed to satisfy the Series 2010A Reserve Requirement.

basis the Series 2010A Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. If on any Series 2010 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2010A Bonds on such Series 2010 Payment Date (or any Series of Bonds to the extent so designated in a Supplemental Indenture on its Payment Dates), then the Trustee shall withdraw the amount of any such deficiency from the Series 2010A Reserve Account and deposit such amount in the Debt Service Fund. All money on deposit in the Series 2010A Reserve Account in excess of the Series 2010A Reserve Requirement shall be transferred to the Commission or to such account as the Commission may designate; and for this purpose all investments in the Series 2010A Reserve Account shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest).

The Series 2010B Reserve Account in the Reserve Fund is established with the Trustee. The Reserve Requirement for the Series 2010B Bonds shall be the Series 2010B Reserve Requirement. The Series 2010B Reserve Account shall benefit only the Series 2010B Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. The amounts on deposit in the Series 2010B Reserve Account shall secure on a parity basis the Series 2010B Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. If on any Series 2010 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2010B Bonds on such Series 2010 Payment Date (or any Series of Bonds designated in a Supplemental Indenture on its Payment Dates), then the Trustee shall withdraw the amount of any such deficiency from the Series 2010B Reserve Account and deposit such amount in the Debt Service Fund. All money on deposit in the Series 2010B Reserve Account in excess of the Series 2010B Reserve Requirement shall be transferred to the Commission or to such account as the Commission may designate; and for this purpose all investments in the Series 2010B Reserve Account shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest) provided that such amounts released upon redemption or maturity of the Series 2010B Bonds shall first be transferred to the Series 2010A Reserve Account to the extent needed to satisfy the Series 2010A Reserve Requirement.

APPENDIX B

SUMMARY OF THE BURTON ACT, TRANSFER AGREEMENT AND RELATED STATE REGULATION

This Appendix contains summaries of certain provisions of 1968 Statutes of California, Chapter 1333, as amended (the "Burton Act"), and of the Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco (the "Transfer Agreement"). In addition, summaries are included of certain provisions of State legislation affecting the use and development of Port property at Piers 30-32, Mission Bay and Western Pacific. These summaries are not intended to be a full statement of the contents of the documents summarized, and reference is made to the complete documents for the full terms of each. Capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed thereto in the documents. Copies of the Burton Act and the Transfer Agreement may be obtained from the Port Commission; copies of State legislation are available through the California State Legislature's web site.

THE BURTON ACT

The Burton Act authorizes the transfer in trust to the City and County of San Francisco (the "City") the interest of the State of California (the "State") in and to, and the control and management of, the Harbor of San Francisco.

The Burton Act specifies the terms and conditions of transfer of all of the right, title and interest held by the State in the real property of the Port of San Francisco, together with all improvements, rights, privileges, easements and appurtenances connected therewith or in anywise appertaining thereto, and any and all personal property of every kind and description owned or controlled by the State and used in connection with the operation and maintenance of San Francisco Harbor and including any deposits of funds held by or for the San Francisco Port Authority; excepting and reserving unto the State all subsurface mineral deposits, including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City for exploration, drilling and extraction of such mineral, oil and gas deposits.

The City, through a Harbor Commission of the City, shall have complete authority, except as otherwise agreed to as a condition of the transfer and as provided in the Burton Act, to use, conduct, operate, maintain, manage, regulate, improve and control the harbor of San Francisco and to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of said harbor which are not prohibited by the laws of the State or the Charter of the City and which are in conformance with the terms of the Burton Act, including, without limiting the generality of the foregoing, the following:

1. The improvement and conduct of the harbor and the construction, reconstruction, repair and operation of all works, buildings, facilities, utilities, structures and appliances, incidental, necessary or convenient for the promotion and accommodation of commerce and navigation;
2. The use for all commerce and industrial purposes and the construction, reconstruction, repair, maintenance of commercial and industrial buildings, plants and facilities;
3. The establishment, improvement and conduct of railroad facilities, which facilities shall not be subject to State Public Utilities Commission regulation, and aviation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and conduct of air commerce and navigation and railroad transportation;
4. The construction, reconstruction, repair, maintenance and operation of public buildings, parks, playgrounds, public educational and recreational facilities and all works, buildings,

facilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of any such uses;

5. The preservation or restoration of marine resources consistent with the primary mission of the San Francisco Harbor;

6. The grant of franchises for limited periods not exceeding 66 years for wharves and other public uses and purposes and the lease of said lands, facilities, or any part thereof for limited periods not exceeding 66 years, and the collection and retention of rents and other revenue from such leases, franchises, permits, licenses, and privileges shall be for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, or if the Harbor Commission of the City determines that any portion of the transferred lands is not required for the foregoing uses, such lease or leases, franchises, permits, licenses, and privileges, may be for the purposes of such development and use as the commission finds to be in the public interest, with moneys derived therefrom to be used by the commission in the furtherance of commerce and navigation. The moneys derived from such lease or leases, franchises, permits, licenses, and privileges shall be used solely for the furtherance of the purposes specified by the Burton Act.

The City shall establish a separate harbor trust fund or funds upon the transfer in such manner as may be prescribed by the State Department of Finance; the City shall deposit in the fund or funds all moneys received directly from or indirectly attributable to facilities on the transferred lands in the harbor. An annual statement of financial condition and operations, to conform to such requirements as the State Department of Finance may prescribe, shall be submitted to the State Department of Finance each year by the City on or before September 30th of each year for the preceding Fiscal Year.

Notwithstanding any other provision of law to the contrary, the City, either acting alone or jointly with another local or State agency, may use revenues accruing from or out of the use of the transferred lands for any or all of the following purposes, provided the same comply with the terms of the trust which are matters of Statewide as distinguished from local or purely private interest and benefit:

1. The construction, reconstruction, improvement, repair, operation, maintenance, promotion, and protection of works, lands, waterways, and facilities necessary for the development of such transferred lands for highest and best use in the public interest, including commerce, navigation, fisheries, marinas, small boat harbors, marine stadiums, maritime museums, marine parks, beaches, and such streets, roadways, bridges, bridge approaches, earthfills, bulkheads, piers, supporting structures, buildings, recreational facilities, landscaping, and parking lots situated upon such transferred lands, or adjacent thereto and reasonably necessary to provide access to, or development of, such transferred lands;

2. The promotion, by advertising and such other means as may be reasonable and appropriate, of maximum public use of such transferred lands or to encourage private investment in development of such transferred lands for the highest and best use in the public interest;

3. Any other uses or purposes of State, as distinguished from purely local or private, interest and benefit, which are in fulfillment of those trust uses and purposes described in the Burton Act;

4. The acquisition of property and the rendition of services reasonably necessary to the carrying out of the foregoing uses and purposes, including the amortization or debt service of any capital improvement funding program which is consistent with the terms and conditions set forth in the Burton Act.

Revenue accruing from or out of the use of the transferred lands may be deposited in one or more reserve funds for use in accordance with the terms and conditions set forth in the Burton Act.

Upon transfer of the Port to the City, the authority, justification and control of San Francisco Port Authority over San Francisco Harbor and the facilities thereof shall be deemed transferred to the City and the port authority shall cease to function and be dissolved. The City shall thereupon assume control and jurisdiction over the San Francisco Harbor and facilities and shall have complete authority to use, operate, maintain, manage, regulate, improve and control the harbor of San Francisco and to do and perform all acts as may be deemed necessary in connection with the use, operation, maintenance, management, regulation, improvement and control of said harbor as may be prescribed.

San Francisco Harbor and facilities shall be under the administration and control of the Harbor Commission of the City which shall be established in accordance with the provisions of the Charter of the City. The commission shall consist of five members, each member serving for a term of four years. Each of said members shall be appointed by the mayor, said appointment being subject to confirmation by the Board of Supervisors of the City.

In the event that the City fails or refuses to file with the State Department of Finance any report, statement, or document required by any provision of the Burton Act within the time period specified by the Burton Act, or any extension period granted pursuant to the Burton Act, or fails or refuses to carry out the terms of the transfer by which the lands were transferred to it pursuant to the Burton Act, the State Attorney General shall, upon request of the State Department of Finance, bring such judicial proceedings for correction and enforcement as are appropriate, and shall act to protect any properties and assets situated on the transferred lands or derived therefrom. The State Department of Finance shall notify the Chief Clerk of the State Assembly and the Secretary of the State Senate within 30 days of the occurrence of such failure or refusal and of actions taken as a result thereof.

The State Department of Finance shall, from time to time, institute a formal inquiry to determine that the terms and conditions of the Burton Act, and amendments thereto, have been complied with, and that all other applicable provisions of law concerning the specific transferred lands are being complied with in good faith.

The State Legislature reserves the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust provided for in the Burton Act, provided that the State shall thereupon assume all lawful obligations related to such lands as may revert to the State by such action.

The State Attorney General, at his own instance, or upon formal request of the State Department of Finance, or by resolution of either house of the State Legislature, shall bring an action in the superior court of the City to declare that the transfer under which the City holds such transferred lands is revoked for gross and willful violation of the terms of such transfer or the provisions of the Burton Act or other legislative enactment, or to compel compliance with the terms and conditions of the transfer and any other provision of law including, but not limited to, the Burton Act.

No amendment, modification, or revocation, in whole or in part, of the transfer of lands in trust provided for in the Burton Act shall impair or affect the rights or obligations of third parties, including the holders of revenue bonds or securities issued by the Harbor Commission of San Francisco and payable out of revenue of the harbor, lessees, lenders for value, holders of contracts conferring the right to the use and occupation of, or the right to conduct operations upon or within, such lands, arising from leases, contracts, or other instruments lawfully entered into prior to the effective date of such amendment, modification, or revocation.

In the event, at the effective date of any such amendment, modification, or revocation, there are in effect any such leases, contracts, or other instruments, the State may, at its option exercised by, and evidenced

by appropriate action on the part of, the State Lands Commission, succeed to the interest in any such instrument of the City; otherwise the interest of the City in any such instrument then in effect shall continue during the term or other period of time during which such instrument shall remain in effect; and provided further, that in any event all revenues bonds or securities issued by the Harbor Commission of San Francisco and payable out of revenues of the harbor shall continue to be so payable and secured in all respects as provided in the proceedings for their issuance and the revenues of the harbor shall be pledged to and applied to the payment of such revenue bonds or securities in all respects as though no such amendment, modification, or revocation had taken place.

THE TRANSFER AGREEMENT

The following summary describes certain provisions of the Transfer Agreement, dated as of January 24, 1969, between the State and the City, pursuant to which the Port was transferred to the City by the State in accordance with the Burton Act.

Transfer of Property

REAL PROPERTY: The real property which is transferred under the Burton Act is the real property under the jurisdiction and control of the San Francisco Port Authority as of the date of transfer, subject to certain restrictions and exceptions, all as more particularly set forth in the Burton Act, and subject to a survey of such property by the City and agreement between the parties as to the description, which description is deemed to be a part of the Transfer Agreement.

PERSONAL PROPERTY OTHER THAN FUNDS: All personal property owned or controlled by the State and used in connection with the operation and maintenance of the harbor is transferred pursuant to the terms of the Burton Act.

TRANSFER OF FUNDS: The funds transferred from the State to the City pursuant to the Burton Act consist of the following funds established by statute: San Francisco Harbor Improvement Fund; San Francisco Sea Wall Fund No. 4; San Francisco Sea Wall No. 5; Harbor Bond Sinking Fund; India Basin Sinking Fund; San Francisco Sea Wall Sinking Fund No. 2; San Francisco Sea Wall Sinking Fund No. 3; San Francisco Sea Wall Sinking Fund No. 4; and Special Deposit. Monies in the Surplus Monies Investment Fund from each of the above funds will be transferred as of the date of transfer in accordance with the provisions of the Transfer Agreement, and interest on those monies will be credited by the State in the same manner and to the same extent as it credited interest at the time of transfer to the deposits of the funds when the San Francisco Port Authority requests transfer back to the funds. The fund designated Special Deposit is a trust fund in which monies which are not property of the State are deposited prior to refund or repayment to other persons. Such fund will be taken by the City subject to repayment to the true owners. In the event the funds are not repaid and vest in the City, such funds will be credited by the City to the San Francisco Harbor Improvement Fund. Upon the transfer of these funds from the State to the City, the City will set up funds identical with the funds designated. Deposits will be made into these funds in the same manner and to the same extent as deposits were made at the time of transfer and the funds will be used for the same purposes as the funds are used by the State; however the City is not precluded from setting up additional funds when and if that becomes necessary, nor setting up additional accounts in the funds when and if such accounts become necessary. The additional funds may not, however, be set up except upon prior written notification to the State Director of Finance. In the event the State Director of Finance is of the opinion that the additional funds will affect the security of the funds now in existence or will otherwise adversely affect the interests of the Harbor, the State Director of Finance may disapprove funds which are properly and reasonably set up for the repayment of bond issues authorized pursuant to the Burton Act providing the monies available to the Harbor are sufficient to meet obligations to funds created prior in time and to meet current obligations and maintenance.

In addition to the funds enumerated above, the parties agree that any and all receivables, obligations, liquidated and unliquidated, and choses in action owing to the Authority at the time of the transfer are likewise transferred.

Limitations on Property Transferred

All the limitations, exceptions and conditions on transfer of property from the State to the City contained in the Burton Act are made a part of the Transfer Agreement. The following provisions define and interpret the provisions of the Burton Act which require such definition or interpretation.

The Burton Act excepts and reserves to the State all subsurface mineral deposits including oil and gas deposits, together with the right of ingress and egress on the properties conveyed to the City for exploration, drilling and excavation of such mineral, oil and gas deposits. Minerals covered in this reservation are deemed to include all of the minerals enumerated in California Public Resources Code Section 6407. Nothing contained in the Transfer Agreement precludes the City in its operation of the Harbor from moving or removing earth, including sand, gravel and other deposits for purposes of dredging, filling, excavating, bulkheading or any other ordinary port maintenance, construction or reconstruction without charge to the City therefor. The right of ingress and egress in the reservation will be exercised in such manner and to such extent as not to unreasonably interfere with the property for the purposes for which it has been transferred under the Burton Act.

The Burton Act reserves to the people of the State the right to hunt and fish in and over the waters of San Francisco Harbor. The right to hunt and fish is not intended to and does not limit the police powers of the City in connection with hunting or fishing in the city limits. The right to hunt and to fish will not be exercised in such fashion as to interfere with the operation of the property for port purposes, nor will such rights be exercised in an area or in such manner as to endanger the safety of persons or property.

Conditions of Transfer

The City by the Transfer Agreement agrees to indemnify, defend and hold harmless the State with regard to all outstanding bonded indebtedness incurred for San Francisco Harbor improvements. To carry out the requirements of the Transfer Agreement the City agrees to set up certain funds. In the event that there are not sufficient funds in the San Francisco Harbor Improvement Fund set up by the City, the Board of Supervisors of the City will at the time of fixing the general tax levy and in the manner for such general tax levy provided, levy and collect annually each year until such bonds are paid or until there is a sum in the treasury of the City set apart for that purpose to meet all the sums coming due for the principal and interest on said bonds, a tax sufficient to pay the annual interest on such bonds as the same become due and also such part of the principal thereof as shall become due before the proceeds of a tax levied at the time for making the necessary general tax levy can be made available for the payment of such principal.

The City agrees to assume the obligations and duties of the Port Authority on all outstanding contracts, leases, franchises or agreements.

The City agrees to transfer to the State amounts necessary to pay the amounts due upon the bonded indebtedness prior to the time such amounts are due.

To comply with the provisions of the Burton Act, the City promises to perform all the obligations and requirements set forth in the Burton Act, and agrees that the Transfer Agreement will become a binding obligation on the City prior to the transfer.

Requirements of Transfer

The Burton Act requires the City to establish a separate Harbor Trust Fund or funds in such manner as may be prescribed by the State Department of Finance. It is the intention of the parties as more specifically set forth in the Transfer Agreement that unless or until the Transfer Agreement is amended, the City will set up funds to the same extent and for the same purpose as the Port Authority funds set up by the State Controller of the State. When all the bond redemptions covered by a specific fund have been made or when the monies in Sea Wall Fund No. 4 or Sea Wall Fund No. 5 have been exhausted, those funds may be discontinued. Nothing in the Transfer Agreement, however, precludes the establishment of additional funds which may become necessary because of Harbor operations. The City agrees that all monies received directly from or indirectly attributable to the transferred lands or its facilities or any other property transferred by the Transfer Agreement will be deposited in the fund or funds set up pursuant to the Transfer Agreement. Monies not designated for other specific funds will be deposited in the San Francisco Harbor Improvement Fund.

The Burton Act provides that an annual statement of financial condition and operation will be transmitted by the City to the State Department of Finance each year on or before September 30th for the preceding Fiscal Year, and the City agrees that it will continue to submit to the State Director of Finance financial statements in accordance with the State Administrative Manual.

The City shall, at the request of the State Department of Finance, make its books and records in connection with the Harbor available for audit and inspection to auditors of the State in order that the State may insure that the provisions of the Burton Act are complied with and to assist the State Department of Finance in complying with its duties under the Burton Act.

Expenditure of Port Funds and Use of Property

All of the property transferred under the Burton Act is required to be held by the City in trust for purposes of commerce, navigation and fisheries and subject to the terms and conditions specified in the Burton Act and set forth in the Transfer Agreement. All property acquired with funds derived from the transferred property is likewise required to be held by the City. Without prejudice to the generality of the foregoing, the parties agree specifically to the following:

Personal property transferred under the Burton Act and property later acquired with Port funds to replace such property shall continue to bear separate designations so that the trust nature of the property can be determined. In the event that the City uses said property for other than trust purposes, it shall reimburse the Port funds for the use of such property. Nothing in the Transfer Agreement shall, however, prevent the Port from disposing of personal property which is obsolete or is no longer required for the trust purposes, but in that event the funds derived therefrom shall become Port funds subject to the purposes of the trust.

The City shall not require the Port to perform functions or accept or employ personnel in excess of functions or personnel required to carry out the purposes of the trust.

The City may, if it elects to do so, undertake some or all of the functions of street maintenance within the Port area, but it may not require the Port to maintain streets and roadways outside the Port area nor may it require the Port to maintain streets, roadways, bridges or other facilities maintained by the City at the time of transfer, nor may it require the Port to undertake the furnishing or maintenance of streets, roadways and bridges primarily designed as thoroughfares for the City rather than as roadways for Port purposes. In the event streets, roadways or bridges perform a dual function, an appropriate division of costs shall be made. This provision is not intended to affect The Embarcadero, maintained by the Port at the time of transfer, nor is it intended to prevent the Port from constructing or maintaining any streets, roadways, bridges or sidewalks the Port deems required.

In the event that duties other than police traffic services in the Port area or protection of Port property are required of the Port police, payment for such additional duties shall be made from other than Harbor funds.

Revenue received from parking meters installed on the transferred lands shall continue to accrue to the Port so long as the Port installs, operates and maintains the meters.

The Port at the time of transfer performed at its own expense some fire protection services and reimbursed the City for certain other fire protection services. In the event additional fire protection services are required, such additional services shall not be paid for out of Harbor funds.

Nothing in the Transfer Agreement shall preclude the City from undertaking all or part of the services performed by the Port if economies will result therefrom. The Port shall not, however, be required to contribute to City services if such contribution will result in expenditures greater than those required.

Autonomous Operation

The Port Commission provided for by the Burton Act shall have all the powers and duties given to boards and commissions by the Charter of the City, and shall have the power to establish such departments and bureaus as may be necessary or convenient for the conduct of its affairs. Subject to the terms and conditions of the transfer and the Transfer Agreement, the Port Commission shall have the control and management of all real and personal property transferred under the Burton Act, or otherwise acquired or purchased with funds under its control or acquired or purchased by it within the scope of its authority, or otherwise placed under its management, supervision and control. The property under the control and management of the commission shall be known as the Port Area. The Port Commission shall have the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port Area of San Francisco and to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of said Port Area, or which may further the interests of the Port in world trade, including, without limiting the generality of the foregoing, the exclusive power to perform or accomplish the following in the Port Area:

1. The improvement, operation and conduct of the harbor, and any and all improvements or facilities located thereon;
2. The construction, reconstruction, repair, operation and use of all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of commerce and navigation, or located within the Port Area;
3. The establishment, improvement and conduct of railroad and aviation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and conduct of air commerce and navigation and railroad transportation;
4. The construction, reconstruction, repair, maintenance and operation of public buildings, parks, playgrounds, public educational and recreation facilities and all works, buildings, facilities, utilities, structures and appliances incidental, necessary or convenient for the promotion and accommodation of any such uses;
5. The preservation or restoration of marine resources consistent with the primary mission of the harbor of San Francisco;
6. The grant of franchises thereof for limited periods not exceeding 66 years for wharves and other public uses and purposes and the lease of said lands, facilities, or any part thereof for limited periods not exceeding 66 years, and the collection and retention of rents and other revenue from such leases, franchises, permits, licenses, and privileges. Such lease or leases, franchises,

permits, licenses, and privileges shall be for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, or if the Port Commission of the City determines that any portion of the transferred lands is not required for the foregoing uses described in this paragraph, such lease or leases, franchises, permits, licenses, and privileges, may be for the purposes of such development and use as the commission finds will yield maximum profits to be used by the commission in the furtherance of commerce and navigation;

7. Leases and franchises granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission;

8. There shall be a Port Director who shall be the chief executive of the Port Commission and who shall have the management of the affairs and activities placed under the jurisdiction of the commission. He shall devote his entire time to the duties of his office and his salary shall be fixed by the commission. He shall hold his office at the pleasure of the commission and shall have the management of said Harbor and of all of the facilities and equipment thereof and of all bureaus and departments established for the operation of said Harbor or for the operation of any equipment or facility thereof. Subject to the approval of the commission, he shall appoint and remove any and all heads of departments or bureaus who are not subject to the civil service provisions of the Charter of the City. He shall possess the necessary administrative, executive and technical qualifications necessary to enable him to perform the duties of his office. His compensation shall not exceed prevailing salaries paid those holding similar positions in comparable maritime employment. The commission may confer on him such additional powers and authority as it may see fit. Nothing in the foregoing provisions shall be construed to prohibit an amendment to the Charter of the City to provide for the appointment of a Port Director by the commission.

9. To regulate the berthing, anchoring, towing, loading and unloading and mooring of vessels within the Port;

10. To issue receipts, negotiable or otherwise, for property or merchandise in its charge or possession;

11. To fix all rates, dockage, rentals, tolls, wharfage, and charges, for the use and occupation of the public facilities or appliances of the Port, and for services rendered by the Port Commission, and to provide for the collection thereof;

12. To enter into contracts, agreements, or stipulations germane to the scope of its powers and duties;

13. To give such bonds or assurances as may be required by the United States in the operations permitted under the Transfer Agreement;

14. To provide and equip offices within or without the Port, within other states, or in foreign countries, and through such employees and agencies as it may deem expedient;

15. To contract for and operate foreign trade zones within the Port Area or auxiliary to the Port Area, or such zones or sub zones as have been operated by the San Francisco Port Authority. Agreement may be made with the Public Utilities Commission for operation of future zones or sub zones in other areas;

16. Members and officers of the Port Commission shall be exempt from the provisions of the Charter of the City relating to absences from the State, but shall advise the Mayor and the Board of Supervisors of the City in advance of such absences;

17. May promote the maritime and commercial interests of the Harbor by advertising its advantages and facilities and by the solicitation of business. The advertising and solicitation may be conducted within or without the State and through such agencies, mediums, employees and agents as are determined by the commission. The commission may, in its discretion, publish and distribute a magazine, pamphlets, booklets and other printed and advertising matter for the purpose of developing traffic and promoting and maintaining the commerce and prestige of the Port, and may use any monies of the Harbor Fund for the special purposes described in this paragraph. Members and employees of the commission in attending conventions of port authorities and meetings of transportation clubs, trade associations and business organizations that may advance the interests of the Port shall be allowed their actual necessary expenses in the performance of such services as may from time to time be deemed desirable by the commission and shall be allowed hospitality expenses necessarily incurred in furthering the interests of the Port;

18. To issue revenue bonds for purposes of the Burton Act; and

19. Expend all funds necessary to the carrying out of the powers and duties expressed in the Transfer Agreement; The Transfer Agreement vests in the Port Commission all of the powers set forth in the Burton Act.

It is the understanding of the parties that the finding of the Department of City Planning that a proposed capital improvement project on Port property does not conform to the Master Plan does not preclude the Board from authorizing an appropriation of Port funds for the capital improvement project.

Protection of Existing Uses

The City is required to make every effort to provide users of the property at the time of transfer with continued occupancy under fair terms and conditions and without unfair advantage or discrimination.

Amendment

The Transfer Agreement is binding on the City and the State Department of Finance unless or until the parties amend the Transfer Agreement in writing.

In the event, however, that the State Legislature amends, modifies or revokes the Burton Act, as provided therein, to the extent such action of the State Legislature is not in conformity with the Transfer Agreement, the Transfer Agreement will be deemed amended, modified or revoked thereby in accordance with the action of the Legislature. In that event the parties to the Transfer Agreement will meet promptly to negotiate any necessary changes.

Summary of State Legislation Governing Use and Development of Port of San Francisco Piers 3032, Mission Bay and Western Pacific Properties.

Ch. 489, California Stats. of 2001 (Cruise Terminal Legislation).

In September 2001, the State Legislature adopted legislation, known as AB 1389, sponsored by Assemblyman Kevin Shelley. The Governor signed AB 1389 in October 2001. Among other items, AB 1389: 1) allows 300,000 leasable square feet of office space on Piers 30-32 and allows an additional 25,000 square feet in the cruise terminal facility for no longer than 14 years, converting to trust use at that time or sooner if needed for cruise terminal expansion; and 2) allows a limited amount of non trust retail (*i.e.*, there must be a greater amount of trust consistent retail and the ratio of trust to non trust retail must be at least 40% of total office leasable space).

AB 1389 also accelerates the timing for the completion of the Brannan Street Wharf, a new waterfront park to be constructed between Piers 30-32 and Pier 38, as identified in the BCDC Special Area Plan. With review by BCDC, the Port must approve the final design concept for the Brannan Street Wharf, prior to the submittal of a major permit application to BCDC, encumber funds for the completion of the Brannan Street Wharf, place funds in a segregated account prior to issuance of a BCDC permit, construct the northern portion of the Brannan Street Wharf contemporaneously with the Piers 30-32 project, and remove Pier 36 and complete the Brannan Street Wharf no later than five years after the start of construction of the Piers 30-32 project. AB 1389 also ratified and confirmed the Special Area Plan as necessary to the health, safety and welfare of the public in the entire Bay Area.

Ch. 203, California Stats. 1997 (Mission Bay Legislation).

This State legislation adopted in 1997 (SB 1215) authorized the removal of the public trust and the Burton Act trust from certain property owned by the City, the Port and Catellus located in the Mission Bay North and South Redevelopment Plan Areas and authorized the placement of the public trust on other property in Mission Bay, together with certain use restrictions contemplated by the legislation. The areas of public trust include streets and areas along the water within Port jurisdiction as shown on the map attached to SB 1215 and restricts uses within those areas to public parks, open space, public access to and along the shoreline, rail within existing public roadways, and utility facilities that do not significantly impair the use of those lands for those uses. Other interim uses are permitted provided that the interim uses may be converted to the permitted uses under specified circumstances.

SB 1215 also authorized the removal of public trust claims from the inland areas of the Western Pacific Property, a 25 acre site located between Cesar Chavez Street, 25th Street, Illinois Street, and the Bay, and replaced the public trust on a 125' shoreline band and in the submerged portions of the Western Pacific Property in the Bay. As discussed below, in 2003, the State Lands Commission approved an exchange of the public trust from a portion of Seawall Lot 330 to a portion of the Western Pacific Property.

Western Pacific/SWL 330 Trust Exchange (California State Lands Commission Action).

In 2003, the State Lands Commission approved an exchange of the public trust between a portion of a Port's Seawall Lot, SWL 330, and the Western Pacific Property. This exchange allowed for the removal of the public trust restriction on a portion of SWL 330, which in turn allowed for the \$9 million sale of that parcel for development of a condominium tower. In exchange, the public trust and Burton Act trust is now placed on an approximately 8.77 acre site located between Maryland Street, Cesar Chavez Street, and 25th Street, on the eastern portion of the Western Pacific parcel, thereby restricting use and development on the Western Pacific property for uses consistent with the public trust and Burton Act trust.

Ch. 660, California Stats. of 2007 (Seawall Lots 328, 330, 337 and 347S)

This State legislation, adopted in October 2007 (SB 815), declares certain paper streets as no longer useful for public trust or Burton Act trust purposes. The legislation amends the Burton Act by authorizing the City to lease, sell, or otherwise transfer the streets free of the public trust and Burton Act trust or any other restrictions on use or alienability created by the Transfer Agreement, subject to specified terms and conditions. The paper streets include portions of the following streets: (1) Daggett Street; (2) Texas Street; (3) Custer Avenue; (4) Evans Street; (5) Davidson Avenue; (6) Ingalls Street; and (7) Arthur Avenue. The Port must deposit all revenues from the lease, sale or transfer of the streets in a separate account in the Port's harbor fund to be expended solely for the purpose of implementing the Port's capital plan.

SB 815 declares seawall lots 328, 330, 337, and 347S no longer useful for public trust and Burton Act trust purposes except for the production of revenue to support the purposes of the Burton Act trust. The legislation amends the Burton Act by declaring the seawall lots free from the use restrictions of the public trust, Burton Act trust, and the Transfer Agreement until January 1, 2094, subject to specified terms and

conditions. The seawall lots remain subject to all other restrictions of the public trust, Burton Act trust and Transfer Agreement. SB 815 authorizes the Port to lease all or portions of any of the seawall lots for non trust uses subject to specified terms and conditions. The term of any such lease may not exceed 75 years, including extensions. The Port must deposit all revenues generated from a non trust lease in a separate account in the Port's harbor fund for the preservation of historic piers and historic structure, or the construction and maintenance of waterfront plazas and opens space required by the Bay Conservation and Development Commission's special area plan. The Port may annually transfer funds from the separate account to the general account of the harbor fund for trust or Burton Act trust consistent purposes, subject to specified terms and conditions. The seawall lots become subject to the public trust, Burton Act trust, and Transfer Agreement use restrictions again on January 1, 2094. No later than that date, the Port must remove or modify all structures, buildings, and appurtenances on any of the seawall lots that is not consistent with the purposes of the public trust, Burton Act trust, and the Transfer Agreement to facilitate public trust uses.

APPENDIX C

**PORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance of \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A and Series 2014B (collectively, the "Series 2014 Bonds"). The Series 2014 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust dated as of February 1, 2010 and a Second Supplement to Indenture of Trust dated as of March 1, 2014, between the Port Commission and the Trustee (collectively, the "Indenture").

The Port Commission covenants and agrees in this Disclosure Certificate as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Holders and Beneficial Owners of the Series 2014 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Series 2014 Bonds or to dispose of ownership of any Series 2014 Bonds; or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Port Commission, acting in its capacity as Dissemination Agent under the Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Port Commission and which has filed with the Port Commission a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Series 2014 Bonds, or, if the Series 2014 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Official Statement" shall mean the final Official Statement, dated _____, 2014, prepared in connection with the sale and offering of the Series 2014 Bonds.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Series 2014 Bonds required to comply with the Rule in connection with offering of the Series 2014 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or shall cause the Dissemination Agent to, not later than 9 months after the end of the Port Commission's Fiscal Year (which currently ends June 30), commencing March 31, 2015, with the report for the 2013-14 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. If the Dissemination Agent is not the Port Commission, the Port Commission shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided, that if the audited financial statements of the Port Commission are not available by the date required above for the filing of the Annual Report, the Port Commission shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the Port Commission's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Port Commission is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Port Commission shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Port Commission) file a report with the Port Commission certifying the date that the Annual Report was provided to the MSRB pursuant to the Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Port Commission's Annual Report shall contain or incorporate by reference the following information:

(a) Audited Financial Statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles applicable to the Port Commission from time to time. If the Port Commission's audited financial statements are not available by the date the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Updated information in Table 9 captioned "MAJOR PORT OPERATING REVENUES";

(c) Updated information in Table 1 captioned "PORT OF SAN FRANCISCO, REAL ESTATE LEASES, REMAINING LEASE TERMS";

(d) Updated information in Table 2 captioned "TOP 10 REAL ESTATE TENANTS";

(e) Updated information in Table 12 captioned "PORT OF SAN FRANCISCO, HISTORICAL RESULTS OF OPERATIONS";

(f) Updated information in Table 11 captioned "PORT OF SAN FRANCISCO, HISTORICAL OPERATION & MAINTENANCE EXPENSES"; and

(g) Updated information in Table 13 captioned "PORT OF SAN FRANCISCO HISTORIC DEBT SERVICE COVERAGE.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014 Bonds, or other material events affecting the tax status of the Series 2014 Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders and Beneficial Owners of affected Series 2014 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 Bonds. If such termination occurs prior to the final maturity of the Series 2014 Bonds, the Port Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Port Commission may amend or waive the Disclosure Certificate or any provision of the Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2014 Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Series 2014 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Port Commission from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Port Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Port Commission shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the Port Commission to comply with any provision of the Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port Commission to comply with its obligations under the Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. Failure by the Port Commission to comply with any provision of the Disclosure Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under the Disclosure Certificate in the event of any failure of the Port Commission to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Port Commission, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2014 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2014.

PORT COMMISSION OF THE CITY AND COUNTY OF
SAN FRANCISCO

By _____
Executive Director

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Name of Issue: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REVENUE BONDS, SERIES 2014A AND SERIES 2014B

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN that the Port Commission has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Port Commission of the City and County of San Francisco, dated the Date of Issuance. The Port Commission anticipates that the Annual Report will be filed by _____.

Dated: _____

PORT COMMISSION OF THE CITY AND COUNTY OF
SAN FRANCISCO

By: _____ [to be signed only if filed]

Title _____

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2014 Bonds, payment of principal, interest and other payments on the Series 2014 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2014 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the Port Commission nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current Rules applicable to DTC are on file with the Series 2014 Bonds and Exchange Commission and the current Procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Series 2014 Bonds"). The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2014 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct

and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2014A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. If less than all of the Series 2014B Bonds are being redeemed, DTC will determine pro rata the amount of the interest of each Direct Participant in such issue to be redeemed as notified by the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Port Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Port Commission or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or Port Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Port Commission or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to Port Commission or Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Port Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

APPENDIX F

PROPOSED FORMS OF LEGAL OPINION OF CO-BOND COUNSEL

[To come]

ATTACHMENT 2

FORM OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Port Commission of the City and County of San Francisco (the "Port Commission") in connection with the issuance of \$_____ aggregate principal amount of Port Commission of the City and County of San Francisco Revenue Bonds, Series 2014A and Series 2014B (collectively, the "Series 2014 Bonds"). The Series 2014 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association (the "Trustee"), as successor trustee to Deutsche Bank National Trust Company, as amended and supplemented by a First Supplement to Indenture of Trust dated as of February 1, 2010 and a Second Supplement to Indenture of Trust dated as of March 1, 2014, between the Port Commission and the Trustee (collectively, the "Indenture").

The Port Commission covenants and agrees in this Disclosure Certificate as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port Commission for the benefit of the Holders and Beneficial Owners of the Series 2014 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port Commission pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Series 2014 Bonds or to dispose of ownership of any Series 2014 Bonds; or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Port Commission, acting in its capacity as Dissemination Agent under the Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Port Commission and which has filed with the Port Commission a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Series 2014 Bonds, or, if the Series 2014 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Official Statement" shall mean the final Official Statement, dated _____, 2014, prepared in connection with the sale and offering of the Series 2014 Bonds.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Series 2014 Bonds required to comply with the Rule in connection with offering of the Series 2014 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Port Commission shall, or shall cause the Dissemination Agent to, not later than 9 months after the end of the Port Commission's Fiscal Year (which currently ends June 30), commencing March 31, 2015, with the report for the 2013-14 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. If the Dissemination Agent is not the Port Commission, the Port Commission shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided, that if the audited financial statements of the Port Commission are not available by the date required above for the filing of the Annual Report, the Port Commission shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the Port Commission's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the Port Commission is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Port Commission shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Port Commission) file a report with the Port Commission certifying the date that the Annual Report was provided to the MSRB pursuant to the Disclosure Certificate.

SECTION 4. Content of Annual Reports. The Port Commission's Annual Report shall contain or incorporate by reference the following information:

(a) Audited Financial Statements of the Port Commission for the prior fiscal year, prepared in accordance with generally accepted accounting principles applicable to the Port Commission from time to time. If the Port Commission's audited financial statements are not available by the date the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Updated information in Table 9 captioned "MAJOR PORT OPERATING REVENUES";

(c) Updated information in Table 1 captioned "PORT OF SAN FRANCISCO. REAL ESTATE LEASES, REMAINING LEASE TERMS";

(d) Updated information in Table 2 captioned "TOP 10 REAL ESTATE TENANTS";

(e) Updated information in Table 12 captioned "PORT OF SAN FRANCISCO. HISTORICAL RESULTS OF OPERATIONS";

(f) Updated information in Table 11 captioned "PORT OF SAN FRANCISCO. HISTORICAL OPERATION & MAINTENANCE EXPENSES"; and

(g) Updated information in Table 13 captioned "PORT OF SAN FRANCISCO HISTORIC DEBT SERVICE COVERAGE."

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the Port Commission or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Port Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the Port Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014 Bonds, or other material events affecting the tax status of the Series 2014 Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2014 Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the Port Commission obtains knowledge of the occurrence of a Listed Event, the Port Commission will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders and Beneficial Owners of affected Series 2014 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Port Commission's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 Bonds. If such termination occurs prior to the final maturity of the Series 2014 Bonds, the Port Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Port Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Port Commission may amend or waive the Disclosure Certificate or any provision of the Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2014 Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Series 2014 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Port Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Port Commission from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Port Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Port Commission shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the Port Commission to comply with any provision of the Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Series 2014 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port Commission to comply with its obligations under the Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. Failure by the Port Commission to comply with any provision of the Disclosure Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under the Disclosure Certificate in the event of any failure of the Port Commission to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Port Commission, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2014 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2014.

PORT COMMISSION OF THE CITY AND COUNTY OF
SAN FRANCISCO

By _____
Executive Director

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Name of Issue: PORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
REVENUE BONDS, SERIES 2014A AND SERIES 2014B

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN that the Port Commission has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Port Commission of the City and County of San Francisco, dated the Date of Issuance. The Port Commission anticipates that the Annual Report will be filed by _____.

Dated: _____

PORT COMMISSION OF THE CITY AND COUNTY OF
SAN FRANCISCO

By: _____ [to be signed only if filed]

Title _____



MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval of Lease Number L-15786 with California Sealift Terminals, Inc., a California corporation, for vessel berthing at Pier 50 and Pier 96 for a one-year term, with nine one-year extension options, and one six-month extension option, with an annual rent of approximately \$323,025

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff is requesting that the Port Commission approve Lease No. L-15786 with California Sealift Terminals, Inc. ("CSTI"), a California corporation, for vessel berthing at Pier 50 and Pier 96 for a one-year term, with nine one-year extension options, and one six-month extension option, with an annual initial rent of approximately \$323,025. CSTI is a Port tenant in good standing.

Background

The United States Department of Transportation, acting through the Maritime Administration ("MARAD"), operates and maintains a fleet of cargo ships of various types for use by the Department of Defense in the event that a sealift of military equipment is required for national security.

The National Defense Reserve Fleet ("Ready Reserve Fleet") is berthed at various locations in the United States, managed by operators who keep the ships in a readiness condition whereby they could be fully crewed and ready to load cargo within 96 hours of activation notice.

THIS PRINT COVERS CALENDAR ITEM NO. 12A

California Sealift Terminals is affiliated with the Sealift Companies, the largest independent layberthing contractor for MARAD and the Ready Reserve Fleet in the United States. The Sealift Companies have layberthing contracts for a total of 46 government vessels. Sealift Terminals Inc., the original Sealift Company, was the first civilian contractor to provide layberthing services to the government under the Department of Defense outporting program that began in 1984.

Beginning in 1998, the Port of San Francisco and CSTI have had a series of agreements for the berthing of "ready reserve" MARAD ships. The existing agreement, L-14648, entitles CSTI to berth two ships at Pier 50 and one ship at Pier 96; this agreement expires April 15, 2014.

MARAD, under Solicitation DTMA91B20130006, requested bids for the continued berthing of three "ready reserve" ships on the US West Coast – *USS Cape Horn*, *USS Cape Hudson*, and *SS Chesapeake*. CSTI made the lowest acceptable bid for this solicitation, proposing the berths at Pier 50 and Pier 96 as before. Under the terms of the Port lease, CSTI is responsible for all capital improvements to the piers including electrical, water, sewer, fendering, security, and dredging.

CSTI pays approximately \$700,000 per year for electrical power to the San Francisco Public Utilities Commission. In addition, the ships require ongoing shipyard services from BAE Systems San Francisco Ship Repair, which generates jobs. MARAD ships also have the capability to support emergency operation efforts in anticipation of natural or hostile disasters so having three ships on Ready Reserve is beneficial to the City's emergency responsiveness.

Proposed Lease/Berthing Agreement

CSTI's contract with the federal government is for ten one-year periods, renewable annually by MARAD. In the first year (2014-2015), CSTI will pay the Port \$323,025 per year, or \$885 per day, for three berthing sites at two piers (Pier 50 and Pier 96). This represents a 38% decrease in revenue to the Port compared to the existing agreement (\$520,125 per year, or \$1,425 per day). The reason for this decrease is that the federal budget for berthing MARAD vessels was cut significantly, a fact reviewed and verified by the Port. In order for CSTI and the Port to retain this business and avoid competition from other ports, the fees had to be reduced. In subsequent years of the agreement, the Port's revenue will rise: in years 2-5 (2015-2019) to \$499,320 per year; and in years 6-10 (2019-2024) back to \$520,125 per year.

The Lease provides for paved land space adjacent to both berthing sites: at Pier 50, 88,870 square feet, and at Pier 96, 78,450 square feet. The land area provides for vessel maintenance, load-out preparation, and security safety zone.

After the first year of the contract, if the federal government removes an individual ship or ships, CSTI's rent will decrease by a proportional amount, and the Port may terminate that portion of the leasehold. The Port will retain any improvements to the

piers made by CSTI. CSTI will have a six-month holdover option at the same per diem berthing rates paid in 2024 at the end of the ten-year agreement.

Changes from the standard Port lease include an allowance to pay rent in arrears. It also includes exceptions to Port standard indemnity and liability and insurance coverage requirements taking into account MARAD's status as a federal agency. All other terms are substantially in the form of the Port's standard lease, including all City requirements.

Prior to MARAD awarding the contract, CSTI must demonstrate that it has a legally enforceable right to the possession of the facilities to provide berthing services. This lease agreement will provide that right to possession. In the event CSTI is denied the MARAD contract, the Lease becomes void. In the Lease, CSTI is granted the right to occupy the premises on the day that the federal government issues a notice to proceed, expected to be about April 16, 2014. The option period of the current lease will cover any delay between expiration of the current lease and commencing of this new Lease.

Key Lease Terms

<i>Lease Number:</i>	L-15786
<i>Tenant:</i>	California Sealift Terminals, Inc., a California corporation
<i>Premises:</i>	Portions of Pier 50 and Pier 96
<i>Premises Rentable Square Footage:</i>	<p>Parcel A: Approximately 88,870 sq. feet of apron located along the eastern face of Pier 50 together with any and all Improvements;</p> <p>Parcel A-1: Approximately 175,760 sq. feet of berthing area at Pier 50;</p> <p>Parcel B: Approximately 78,450 sq. feet of apron located along the south end of Pier 96 together with any and all Improvements;</p> <p>Parcel B-1: Approximately 81,000 sq. feet of berthing area at Pier 96.</p>
<i>Length of Term:</i>	Twelve (12) months

<i>Commencement Date:</i>	April 16, 2014 (Port and Tenant shall execute a Commencement Date and Expiration Date Memorandum confirming the actual Commencement Date and Expiration Date.)
<i>Expiration Date:</i>	April 15, 2015
<i>Extension Options:</i>	Consistent with the MARAD contract, Tenant shall have nine (9) options to extend the term for one (1) year followed by one (1) option to extend the term for six (6) months.
<i>Base Rent:</i>	<p>Year 1 (April 16, 2014-April 15, 2015): \$295 per day, per vessel, for two (2) vessels at Pier 50 and \$295 per day for one (1) vessel at Pier 96 equaling \$323,025 per year;</p> <p>Years 2-5 (April 16, 2015-April 15, 2019): \$456 per day, per vessel, for two (2) vessels at Pier 50 and \$456 per day for one (1) vessel at Pier 96 equaling \$499,320 per year;</p> <p>Years 6-10 (April 16, 2019-April 15, 2024): \$475 per day, per vessel, for two (2) vessels at Pier 50 and \$475 per day for one (1) vessel at Pier 96 equaling \$520,125 per year.</p> <p>Except as otherwise explicitly provided in this Lease, at no time will the Base Rent be less than that stated above, whether or not Tenant has a vessel in berth. Tenant's obligation to pay Base Rent hereunder shall be enforceable whether or not Tenant receives payment from MARAD pursuant to a MARAD contract.</p>
<i>Base Rent Payments:</i>	Base Rent shall accrue beginning on the Commencement Date and shall be paid in arrears, starting on the 70 th day after the first day of the month in which the Commencement Date occurs and shall be payable monthly thereafter on the first day of the month. Tenant shall pay its final Base Rent payment on the date 70 days after the termination of this Lease.
<i>Security Deposit:</i>	Fifty-three thousand one hundred dollars (\$53,100)
<i>Permitted Use:</i>	Tenant shall use the Premises solely for the purpose of providing vessel berthing and related services to MARAD, pursuant to its MARAD contract.
<i>Maintenance and Repair:</i>	Tenant's sole responsibility.

<i>Utilities and Services:</i>	Tenant's sole responsibility.
<i>Exceptions from Liability for MARAD Acts:</i>	<p>Tenant acknowledges that Port is entering into this Lease in reliance on Tenant's ability to provide to MARAD the services required under the MARAD Contract and to comply with all of the terms and conditions thereunder at no cost to Port. Tenant's obligations to indemnify the Port of San Francisco under the Lease shall expressly include any and all Claims relating to Tenant's obligations, performance, or failure to perform under the MARAD Contract.</p> <p>Notwithstanding anything to the contrary in this Lease,</p> <p>(i) Tenant's obligations to indemnify the Port of San Francisco under this Lease shall exclude claims, liability, damage or loss relating to damage or destruction of any property occurring in, on or about the Premises for which Tenant is not required to carry insurance but only to the extent that such damage or destruction is caused by the acts or omissions of MARAD or its subcontractors and is not caused or contributed to by the acts or omissions of Tenant; and</p> <p>(ii) Tenant shall not be liable for damage or destruction of the Premises or the Facility to the extent that such damage or destruction is caused by the acts or omissions of MARAD or its subcontractors, and not contributed to by the acts or omissions of Tenant.</p>
<i>Termination Rights:</i>	<p><u>Early Termination of MARAD Contract:</u> Tenant shall notify Port immediately upon the termination of all, or any portion of the MARAD contract. Either Tenant or Port may terminate this Lease if the entire MARAD contract terminates for any reason by giving written notice to the other party. Such termination will become effective on the date that all vessels are removed from the Premises.</p> <p><u>Reduction of Base Rent and Termination.</u> If, after the initial term, MARAD removes any of the three vessels under this contract from San Francisco Bay on a permanent basis, then upon written notice and evidence from Tenant, the portion of Base Rent attributable to such vessel shall be deducted from Base Rent effective as of the date of the removal of such vessel and Port, by written notice to Tenant, may terminate this Lease as to</p>

	<p>the portion of the Premises that is no longer being used. Termination under this provision shall be effective on the date of removal of such vessel.</p> <p>The Port cannot unilaterally terminate the lease for a Port project.</p> <p>The Port is agreeing to these provisions as an accommodation to Tenant and they shall be construed strictly and shall have no precedential value.</p>
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Recommendation

Port staff recommends that the Port Commission approve Lease Number L-15786 with California Sealift Terminals, Inc.

Prepared by: Michael Nerney
Maritime Marketing Manager

Jeffrey A. Bauer, Leasing
Manager

For: Peter Dailey
Deputy Director, Maritime

Attachments

Exhibit A: Pier 50 apron and berthing area
Exhibit A-1: Pier 96 apron and berthing area

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-19

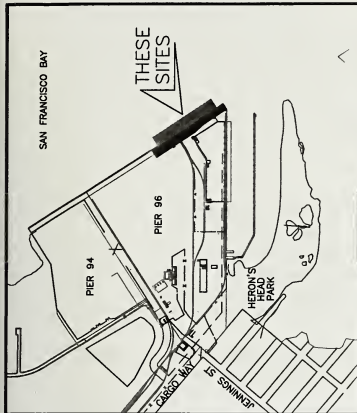
- WHEREAS, Charter Section B 4.114 empowers the Port Commission with the power and duty to use, conduct, maintain, manage, regulate and control the Port area of San Francisco; and
- WHEREAS, Under Charter Section B 3.581(g) leases and franchises granted or made by the Port Commission shall be administered exclusively by the Port Commission; and
- WHEREAS, The Port desires to enhance its position in the Bay Area maritime industry; and
- WHEREAS, Since 1998, Port staff has worked closely with California Sealift Terminals, Inc., a Port tenant in good standing, to provide berthing services for MARAD "Ready Reserve Fleet" ships; and
- WHEREAS, California Sealift Terminals, Inc., a Port tenant in good standing, was the successful bidder for MARAD Solicitation DTMA91B20130006; and seeks to enter into a lease/berthing agreement with the Port to fulfill the MARAD Contract known as Lease L-15786 (the "Lease"); and
- WHEREAS, to be awarded the berthing contract by MARAD, California Sealift Terminals, Inc. must demonstrate that it has the right to possession of the three Port of San Francisco berths; and
- WHEREAS, Port staff believes that this Lease provides additional maritime business for San Francisco, assisting not only the Port but many of its harbor services and ship repair customers; and
- WHEREAS, the project has been reviewed under CEQA and has a general rule exclusion meaning that the project will have no adverse physical effects on the environment; now, therefore be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes staff to complete negotiations with California Sealift Terminals, Inc. and enter into a lease/berthing agreement in substantially the form on file with the Port Commission Secretary incorporating the terms described in the Memorandum dated March 20, 2014, 2014, and hereby authorizes the Executive Director to execute the same on behalf of the Port as approved as to form by the City Attorney's office; and be it further

RESOLVED,

That the Port Commission authorizes the Executive Director to accept the extension options in the Lease in her discretion and to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of March 25, 2014.

Secretary



LOCATION PLAN
NO SCALE

PARCEL B
APRON SPACE
AREA = 78,450 Sq Ft

PARCEL B-1
BERTH FOR ONE SHIP
AREA = 81,000 Sq Ft

PIER 96


NORCAL WASTE MGMT

EXHIBIT A-1

INITIALS: PORT: _____ TENANT: _____ DATE: _____

LEASE NO.

L-15786

 SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

TENANT

CALIFORNIA SEALIFT
TERMINALS, INC.

DRAWN BY: EEC

CHECKED BY: MURPHY

SCALE: 1" = 250'

DATE: MAR 7, 2014

SHEET NO.

1960-APNOR

OF

SHEETS

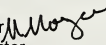
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MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational presentation on Pilot Transportation Improvement Projects identified as part of a Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency

DIRECTOR'S RECOMMENDATION: No Action, Informational Presentation

Overview

As part of the City's coordinated planning work to address existing and projected future land use and development change, the San Francisco Municipal Transportation Agency (SFMTA) is leading a major study, the Waterfront Transportation Assessment, to address the corresponding transportation needs. SFCTA staff provided an informational briefing on the Waterfront Transportation Assessment at the January 24, 2013 Port Commission meeting. Since then, SFMTA has created a webpage with details on the transportation issues, documents and public meetings to discuss existing and possible future transportation issues and solutions: <http://www.sfmta.com/projects-planning/projects/waterfront-transportation-assessment-0>

The approach to the Waterfront Transportation Assessment is broken into two phases. The first phase, completed at the end of 2013, took stock of existing transportation conditions and improvements planned by SFMTA and regional transportation agencies, and a public process to solicit comments about other transportation solution strategies that should be considered. The transportation strategies covered all modes of transportation, including vehicle, public transit, pedestrian and bicycles, and transportation management operations.

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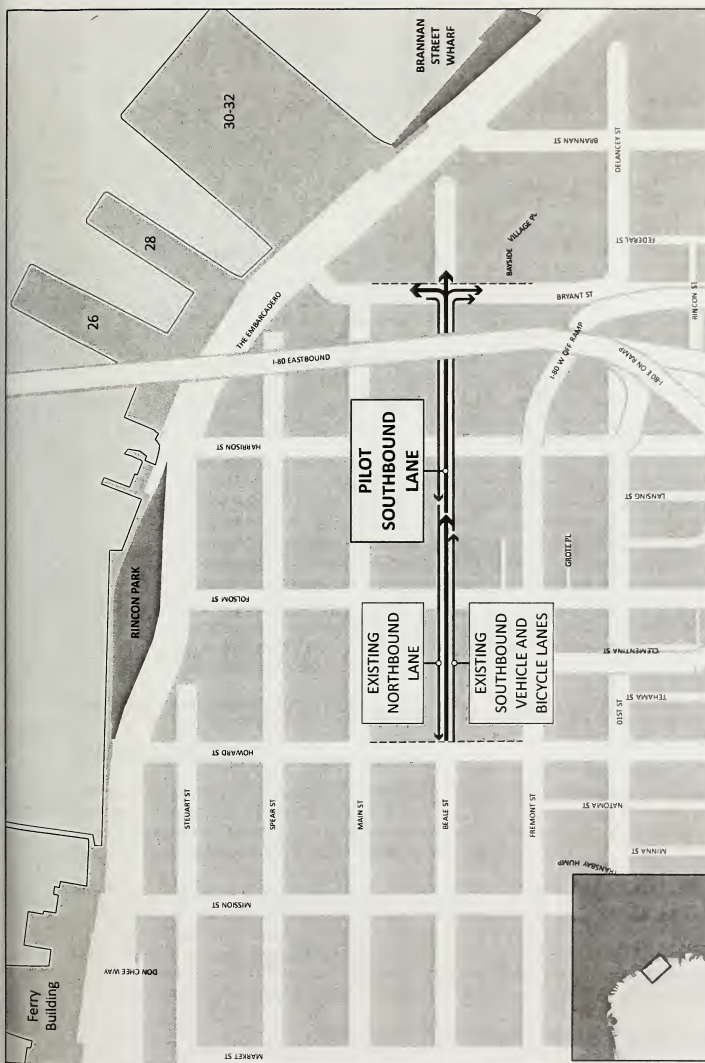
The second phase of the Assessment is focused on review and analysis of transportation demand, and testing the effectiveness of selected transportation strategies. As part of this work, SFMTA plans on conducting pilot transportation improvements in the South Beach area. The proposed pilot projects, described below, are proposed to occur during 2014:

- 1) Beale Street, between Folsom and Bryant Streets: Provide a second southbound traffic lane to improve local traffic circulation, while maintaining access to the Bay Bridge; and
- 2) Intersection Blockage Enforcement Pilot: Evaluate the effectiveness of enhanced coordination between SFMTA Enforcement staff and San Francisco Police Department personnel, with the objective of improving traffic circulation at congested intersections (still being determined) in the vicinity of the Bay Bridge approaches during the PM commute period.

In addition to testing pilot transportation improvement projects in this second phase, the San Francisco County Transportation Authority is working with SFMTA to conduct transportation demand analysis. Whereas the above pilot projects provide near-term, on-the-ground testing for effectiveness in improving transportation circulation and reduction of congestion under current conditions, the Transportation Authority's analysis will study the effectiveness of various transportation strategies in managing transportation demand associated with future growth. The Transportation Authority work is now in process, and may be scheduled for a separate informational presentation at a future Port Commission meeting.

Peter Albert and Erin Miller, of SFMTA staff will provide a presentation of the purpose and details of the proposed Transportation Improvement Pilot Projects.

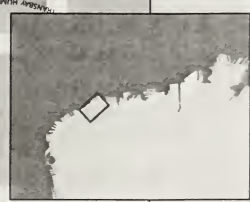
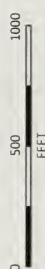
Prepared by: Diane Oshima
Assistant Deputy Director, Waterfront Planning



ATTACHMENT A

SFMTA - BEALE STREET

PILOT TRANSPORTATION IMPROVEMENT PROJECT

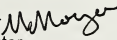




MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer 
Executive Director

SUBJECT: Request approval to amend contract with AECOM for additional services and added fee to: a) expand Task 2 - Schematic Design and Prepare a Revised Project Cost Estimate, from the \$238,672 previously approved to an amount not to exceed \$803,266; b) proceed with Task 3 - Detail Design, Construction Drawings/ Bid documents and prepare revised Cost Project Estimates for a fee of \$856,074; c) Task 4 - Construction Administration tasks for a fee not to exceed \$216,791; d) augment the contract contingency amount by an additional \$187,613 for a total contract amount not to exceed \$2,609,396 (including the already completed Task 1); and e) extend the duration of the contract from December 31, 2014 to December 31, 2017

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

Port staff is seeking authorization from the Port Commission to amend an existing professional services contract with a consultant team lead by AECOM for Schematic Design Services and to approve the Detail Design and Construction Administration Tasks of the contract for the Pier 70 Crane Cove Park project.

The Port Commission previously approved the selection of the consultant team lead by AECOM for the planning and design services of Crane Cove Park. The consultant team includes four LBE contractors as more fully described below. Due to the Civil Service Commission's request to maximize opportunities for City employees to participate in the work, the Civil Service Commission deferred approval of the entire contract. Instead the Civil Service Commission requested that the Port authorize the award of the contract in

THIS PRINT COVERS CALENDAR ITEM NO. 13B

two phases to provide an opportunity for Port staff to more fully investigate tasks that could be performed by City employees as more fully described below. The two phases are as follows:

1. *Phase 1:* Task 1 - prepare a Park Master Plan, Cost Estimate and Phasing Plan (complete); and Task 2 – prepare the Schematic Design and a Revised Project Cost Estimate for the portion of the park that has the necessary funding to construct; and
2. *Phase 2:* Task 3 – prepare Detail Design/ Construction Drawings/ Bid documents and a revised Project Cost Estimate for the portion of the project to be constructed; and Task 4 provide Construction Administration during construction of the project.

If approved the authorization will amend the existing contract to:

- 1) expand Task 2 - Schematic Design and revised Project Cost Estimate to increase the scope, fee and duration from the existing budget of \$238,672 previously approved to an amount not to exceed \$803,266; and
- 2) proceed with Task 3 - Detail Design, Construction Drawings/ Bid documents and revised Project Cost Estimate for \$856,074;
- 3) and Task 4 - Construction Administration tasks for a fee of \$216,791;
- 4) augment the contract contingency amount by an additional \$187,613 for an amount not to exceed \$2,609,396 (including fees for Task 1) and
- 5) extend the duration of the contract from December 31, 2014 to December 31, 2017.

The increase in fee and duration for the Schematic Design (Task 2) is attributed to the total park project budget (hard and soft cost) increasing from approximately \$10 million to \$24.5 million. The 2008 Parks General Obligation Bond (GO Bond) provided for the initial \$10 million for Crane Cove Park. Subsequently, the Port has identified other Port capital funds including increased funding from passage of the 2012 Parks GO Bond and additional grant funds secured for a total of \$24.5 million. This has allowed the Port Commission, Port staff and the public to envision a larger, more enhanced and iconic park suitable to the important historical setting within which it is located than the initial vision. However, the original contract with AECOM was executed prior to passage of the 2012 Bond and the securing of grant funds. The Port now needs to expand AECOM's services to design the enhanced vision for Crane Cove Park.

The following table identifies the various funding sources for the total project cost:

Fund Source	Amount
2008 Parks GO Bond	\$10,024,148
2012 Parks GO Bond	\$10,000,000
Port Capital Funds	\$ 3,500,000
Grant	<u>\$ 1,000,000</u>
Total	<u>\$24,524,148</u>

The total contract amount including the previously approved and completed Task 1 is:	
Task 1 - Park Master Planning, Cost Estimate and Phasing Plan	\$ 545,642
Task 2 - Schematic Design and Revised Cost Estimation	\$ 803,266
Task 3 - Detail Design, Construction Drawings & Documents	
Revised Cost Estimation	\$ 856,074
Task 4 - Construction Administration	\$ 216,791
10% Contingency (applicable to Tasks 2 - 4)	\$ 187,613
Total Contract not to exceed	\$2,609,396

BACKGROUND

The Pier 70 Crane Cove Park Project is located on an approximately eight acre site generally east of Illinois Street between 19th and Mariposa Streets along the Bay shoreline (see Exhibit 1, Project Location and Setting). The Project is being funded primarily by the City's 2008 and 2012 Parks General Obligation Bond funds. The Project is a long standing goal of the Port, the City and a variety of stakeholder groups, has tremendous local and regional support and excitement and is identified in the Port's Waterfront Land Use Plan, the Pier 70 Preferred Master Plan, the City's Eastern Neighborhoods Plan and the Blue Greenway, Bay Trail and Bay Area Water Trail Plans.

Port Commission Resolution 11-44, adopted by the Port Commission at its meeting of June 11, 2011 authorized the award of Planning and Design Services for the Pier 70 Crane Cove Park project to the team lead by AECOM.

In accordance with the Port Commission authorization for the Request for Proposals, the AECOM consultant team proposal was divided into four primary Tasks, including:

- Task 1 - Park Master Planning, a Project Cost Estimate and Phasing Plan (complete);
- Task 2 - Schematic Design and revised Project Cost Estimate (underway);
- Task 3 - Detail Design, Construction Drawings/Bid Documents and prepare a revised Project Cost Estimate; and
- Task 4 - Construction Administration.

Consistent with the San Francisco Civil Service Commission approval and direction to maximize utilization of City employees, the Port Commission awarded Task 1 and 2 and agreed to revisit opportunities to allow City employees to complete Tasks 3 and 4. The Port has consulted with the Department of Public Works (DPW) in analyzing opportunities for employees' participation. The Port and DPW determined that: a) the complexity of the project required a cohesive multi-disciplinary team that would be difficult to achieve with disparate City employees; b) City staff lacked the professional expertise required in the fields of Coastal Engineering, Historic Preservation Architecture and Environmental Engineering required of this unique site; c) the coordination required to assemble a blend of City employees and consultants would delay the project schedule required to spend the GO Bond funds in a timely manner consistent with the bond requirements; (d) and delivery of the project to the public would be significantly delayed. As such, the two departments have determined that continuing with the AECOM consultant team is the most efficient manner to advance the

project. This authorization would allow the Port to proceed with Tasks 3 and 4 with the AECOM team.

Since the original authorization, the Port has completed Task 1, Park Master Plan (*see Exhibit 2, Crane Cove Park Master Plan*), Project Cost Estimate and Phasing Plan and is now moving into Task 2, Schematic Design and a Revised Project Cost Estimate. The Park concept includes a variety of uses and programs including: adaptive reuse of historic resources consistent with the Secretary of Interior Standards; creation of a shoreline launch for human powered boats; a multi-purpose lawn area; a crane plaza to celebrate, recognize and interpret the last remaining intact ship building slipway, Slipway 4; and new sidewalks and a park entrance created by the extension of 19th Street to the east. This concept was reviewed with the Port Commission at its September 24, 2013 commission meeting.¹

PROPOSED SCOPE OF WORK FOR CONTRACT AMENDMENT

This contract amendment and award of additional services is divided into three tasks (Task 1, Park Master Plan, Cost Estimate and Phasing Plan already completed) , and is summarized below:

- a. Task 2 - Prepare schematic plans, revised project cost estimate and regulatory permitting assistance. This task will also include two Design Review sessions by the Port's Waterfront Design Advisory Committee (WDAC) and San Francisco Bay Conservation and Development Commission (BCDC) Design Review Board (DRB).
- b. Task 3 - Prepare Detail Design Drawings/ Bid Documents and Refined Project Cost Estimate, which will include at least one review by the WDAC and DRB.
- c. Task 4 – Construction Administration, which provides onsite support during construction of the project.

PROJECT TEAM AND LOCAL BUSINESS ENTERPRISE (LBE) PARTICIPATION

During the initial Request for Proposals, the Human Rights Commission (now Contract Monitoring Division - CMD) established a Local Business Enterprise (LBE) goal of 19%. Presently the contractor's LBE participation rate of 37% is significantly exceeding the CMD mandated goal of 19%. Port staff fully expects the contract to continue to exceed the LBE goal though the completion of the project. This amended contract retains the same consultant team of:

- AGS Engineers (LBE)
- Architectural Resources Group, Historic Preservation Architects
- Ajmani & Pamidi, Electrical and Mechanical Engineers (LBE)
- Kate Keating and Associates, Signage Design (LBE)
- Silverman, Lighting Consultants
- M. Lee & Incorporated, Cost Estimating (LBE)
- Beneficial Design, Accessibility Design

¹ <http://www.sfport.com/modules/showdocument.aspx?documentid=6714>

PROJECT SCHEDULE

Upon necessary authorizations to approve the contract, the following outlines the project milestones:

- | | |
|--|------------------------|
| • Complete Schematic Design | July, 2014 |
| • Complete Detail Design and bid documents | March, 2015 |
| • Bid and Award Construction | March – July 2015 |
| • Construction | July 2015 - July 2016* |
| • Open to Public | July 2017* |
- (* based upon current total project budget)

NEXT STEPS

The original authorization for this contract from the San Francisco Civil Service Commission was for an amount not to exceed \$1.2 million. This proposed amended contract and authorization exceeds that authorization and is subject to their additional approval. Port staff is scheduled to seek Civil Service Commission approval at its April 28, 2014 Commission meeting. Upon necessary authorization Port staff will negotiate and award the final contract.

Port staff will continue to provide the Port Commission with periodic updates on the status of the project design and anticipates the next informational presentation will occur in June 2014.

RECOMMENDATION

Port staff requests Port Commission authorization to amend the contract with the AECOM consultant team for additional services and fee to the Schematic Design Task and to award the Detail Design and Construction Administration Tasks for the Crane Cove Park project, located within the Pier 70 area.

Prepared by: David Beaupre, Senior Planner

Prepared for: Byron Rhett, Deputy Director
Planning and Development

Elaine Forbes, Deputy Director of
Finance & Administration

Exhibits

1. Project Location & Setting
2. Crane Cove Park Master Plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-20

- WHEREAS, the Port Commission, at its meeting on June 11, 2011 adopted Resolution No. 11-44, authorizing the award to the AECOM consulting team for professional services contract for Tasks 1 and 2 for the design and planning of Crane Cove Park for an amount not to exceed \$780,835; and
- WHEREAS, since the Port Commission authorization, voters of San Francisco passed the 2012 Parks General Obligation Bond and the Port secured grant funds, which has increased the total project budget from approximately \$10 million to approximately \$24.5 million; and
- WHEREAS, the increased total project funding allow the Port to envision a larger, more enhanced and iconic park suitable to the important historical setting within which it is located, which in turn increases the schematic design scope of services and associated fee from \$238,672 previously approved to an amount not to exceed \$803,266; and
- WHEREAS, the original Port Commission authorization consistent with the Civil Service Commission authorization was only for Task 1, Park Master Planning and Task 2 Schematic Design; and
- WHEREAS, in order to move the project forward, Task 3, Detail Design, Construction Drawings/Bid Documents, at a fee of \$856,074, must be awarded; and
- WHEREAS, Task 4, Construction Administration, at a fee of fee of \$216,791 must be awarded; and
- WHEREAS a contract contingency of 10% contingency on Tasks 2-4 must augment the amount by an additional \$187,613 for a total contract amount not to exceed \$2,609,396 (including the already competed Task 1); and
- WHEREAS, the proposed contract amendment and additional services will provide for cumulative participation of Local Business Enterprises (LBE) of a minimum of 19%; and
- WHEREAS, Port staff anticipates Civil Service Commission approval at its April 28, 2014 Commission meeting; and
- WHEREAS, Port staff recommends that the Port Commission authorize an amendment to the contract with AECOM for additional services and fee to Schematic Design task and to conduct Design Development, Detail Design and Construction Administration Tasks for Crane Cove Park, located within the Pier 70 area; now therefor be it

RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to execute an amendment to the existing contract with the AECOM consultant team resulting in an amended Contract amount not to exceed \$2,609,396 and extending the term to December 31, 2017.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 25, 2014.

Secretary

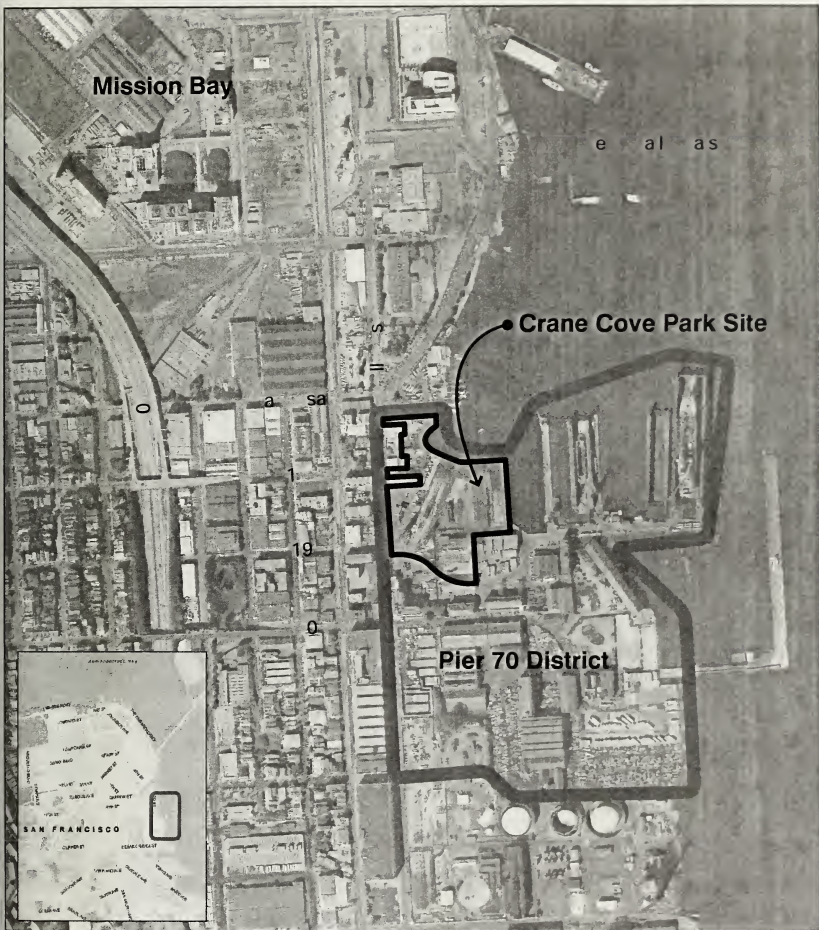


exhibit 1: Site Location



March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *MMoyer*
Executive Director

SUBJECT: Informational presentation regarding Forest City Development California, Inc.'s Waterfront Parks Concept Design for the Pier 70 Waterfront Site

DIRECTOR'S RECOMMENDATION: Information Only; No Action Required

Pursuant to Resolution 11-21 Port and Forest City Development California, Inc. ("Forest City") entered into an Exclusive Negotiating Agreement, dated July 12, 2011 as amended ("ENA") under which the Port and Forest City will negotiate terms for the lease, construction, and operation of an approved development project for the 28-acre Pier 70 Waterfront Site.

Since summer of 2013, Forest City and its design team have been working with staff from the Port, the Office of Economic and Workforce Development and the San Francisco Planning Department to develop the concept designs for the waterfront parks and public realm for the Pier 70 Waterfront Site. This work builds on the extensive community input garnered during the Port's Pier 70 Preferred Master Plan process and Forest City's outreach over the past two and half years, including workshops, open houses and special events in which more than 2,000 San Franciscans have participated. In this work, Forest City has a nationally recognized landscape architecture team, James Corner Field Operations, who was selected based on their extensive experience with former industrial, waterfront sites, notably including the High Line in New York City, Seattle's Central Waterfront, Race Street Pier in Philadelphia, Navy Pier in Chicago and the London Olympic Park.

On March 25, 2014, Forest City will present its Pier 70 Waterfront Site waterfront parks design concept to the Port Commission. The design concept outlines strategies, program elements and design details for a series of parks, playgrounds and recreation spaces that will become a new amenity for the City's central waterfront. A similar presentation was made to the Central Waterfront Advisory Group on March 19, 2014. Forest City will also make this presentation to the broader community at an Open House being held in Building 12 at Pier 70 on Thursday, March 27, 2014.

THIS PRINT COVERS CALENDAR ITEM NO. 13C



MEMORANDUM

March 21, 2014

TO: MEMBERS, PORT COMMISSION
Hon. Leslie Katz, President
Hon. Willie Adams, Vice President
Hon. Kimberly Brandon
Hon. Mel Murphy
Hon. Doreen Woo Ho

FROM: Monique Moyer *Monique Moyer*
Executive Director

SUBJECT: Request Approval of a Revocable License Agreement for Special Events with Forest City Development California, Inc. for approximately 97,202 square feet of unimproved shed space located at Buildings 12/15/16 and 32 and approximately 170,305 square feet of paved land at the Pier 70 Waterfront Site

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary

Port staff is seeking approval of Port License No. 15790 ("License") for Special Events with Forest City Development California, Inc., a subsidiary of Forest City California, Inc., ("Forest City") for approximately 97,202 square feet of unimproved shed space located at Buildings 12/15/16/32 (hereafter, "Building 12") and approximately 170,305 square feet of paved land at the Pier 70 Waterfront Site as shown on Exhibit A (the "License Area"). The License authorizes Forest City and its agents to hold special events with a duration of up to 180 days on the License Area and establishes requirements related to permitting and holding special events at the License Area.

Background

As described in the October 22, 2013 Port Commission informational staff report¹, an important component of Forest City's strategy for creating the next evolution of place at Pier 70 is a plan called "Phase 0." Forest City's Phase 0 effort is designed to introduce the general public to Pier 70's amazing historic resources, views and connections to San Francisco Bay.

THIS PRINT COVERS CALENDAR ITEM NO. 13D

¹ October 22, 2103, Item 8B <http://www.sfport.com/modules/showdocument.aspx?documentid=6880>

Building 12 is a key focus of the Phase 0 strategy. Based on the success of two major events in 2013 – the Urban Air Market and Ghost Ship (a Halloween event) – Forest City and Port staff propose to utilize Building 12 as a special event center that will help seed the culture that Forest City hopes to create during the next evolution of Pier 70.

Converting Building 12, which was previously used as a storage shed for towed vehicles, to temporary special event use will require significant investment in site due diligence, repairs and access improvements to the site. The special event revenue potential of the site is uncertain, but due to the unique characteristics of the site, there appears to be strong, initial market interest.

Analysis

Placemaking

In its January 24, 2013 Port Commission presentation where Forest City unveiled its Pier 70 Waterfront Site Concept Plan², Forest City representatives explained the Phase 0 strategy as it has been implemented at the Fifth and Mission Project, known as the 5M Project. In that context, in advance of entitlement of the broader 5M Project, Forest City was able to lease underutilized portions of the Chronicle Building to a variety of for-profit and non-profit users, including the Hub, Tech Shop, SF Made and Intersection for the Arts, creating a vibrant local community activated by entertainment and events, including Off the Grid.

The 5M Project is a mixed-use project proposed by Forest City Enterprises, Inc. which would be developed on a 4-acre site in the southwest quadrant of Fifth and Mission Streets in Downtown San Francisco. The project would rehabilitate the Chronicle Building and the Dempster Printing Building and construct new and renovated space, including office, residential and retail/cultural uses.

Forest City's early leasing strategy created very strong market demand for future leasing in advance of project approvals. In August, 2013, Yahoo signed a lease for 60,000 square feet in the Chronicle Building, strengthening Forest City's eclectic mix of tenants that are positioned to grow into the planned new construction.

The Building 12 Event Facility is the first step in implementing a similar strategy tailored for the Pier 70 Waterfront Site. Under Forest City's conceptual plan for the Waterfront Site, the future rehabilitation of Building 12³ will occur in Phase 1 of the proposed development and will include a ground floor plane with a market hall consisting of approximately 100,000 square feet activated by maker space and retail activities, spilling out onto a Market Square open space framed by the historic core of Buildings 12, 2 and 21. The upper Mold Loft of Building 12 would include office use to support economic feasibility of the historic rehabilitation project.

² January 24, 2013 Port Commission Presentation – Forest City Waterfront Site Concept Plan
<http://www.sfport.com/modules/showdocument.aspx?documentid=5676>

³ The rehabilitation of Building 12 is subject to future discretionary approvals by the Port Commission and the Board of Supervisors after completing environmental analysis pursuant to the California Environmental Quality Act.

The Building 12 Event Facility would establish the Waterfront Site as a destination for residents and businesses to enjoy special events, including community events (like the Urban Air Market), corporate events, parties with amplified music, and cultural events including movie nights for the local community and art installations open to the public. Given the unique, but somewhat hidden quality of the site, these events will provide a unique marketing opportunity for both the Port and Forest City to expose San Francisco residents to the beauty of Pier 70. A successful event facility at the site will play a critical role in spurring initial market interest in the first phase of Waterfront Site development, helping to increase land values and allowing faster leasing of new space.

Security

Building 12 is a metal-clad structure with relatively porous site access prone to vandalism. The building is a significant contributing historic resource to the proposed Union Iron Works Historic District at Pier 70. Under the terms of the proposed License Forest City has agreed to provide security for the site during both event and non-event periods, relieving the Port of a significant security expense. Forest City's proposed Event Manager is evaluating whether it can maintain a small office space at the site to provide further presence at the site.

Importantly, Forest City will be liable for maintaining the current condition of the building during event periods only; the Port will have site control, and the associated liability for any building damage, during non-Event periods. City Risk Manager Matt Hansen has approved a Port release of claims for Forest City for this purpose.

Event Manager

Under the proposed License, Forest City will hire a single Event Manager, which may enter into sublicenses with other event promoters. Forest City will enter a separate contract with Pier Seventy Partners, Inc. – an entity formed by Peter Glikshtern and Jordan Langer – to be the Event Manager. The role of the Event Manager will be to prepare permit applications and coordinate with Port staff and related City agencies. The value of a single Event Manager is that a single entity learns the rules, understands how best to interface with staff, and builds a trust relationship necessary to ensure clear communication and provide for public safety. Port staff learned the value of this approach during permitting for the 34th America's Cup special events at Pier 27.

Pete Glikshtern has been a staple of San Francisco nightlife for decades, having opened over a half dozen venues as an owner/operator — including Liquid, Mighty and Jones. Mr. Glikshtern builds relationships between nighttime entertainment and surrounding communities. He served as President of the Mission Merchants Association and helped form the San Francisco Entertainment Commission.

Jordan Langer moved to San Francisco 8 years ago. His first event was a re-election fundraiser for the then incumbent Mayor Gavin Newsom, and has since worked with Google, Levi's, Microsoft, Salesforce, Sony, Oracle, and many more. Together, Mr. Glikshtern and Mr. Langer produce unique, off-the-wall events in San Francisco — the annual Halloween extravaganza that is Ghost Ship (<https://www.youtube.com/watch?v=N2WvYHabYk3M>), Breakfast of Champions on New Year's Day, and one-time surprises like Station to Station (<http://stationtostation.com>) in

Oakland. Mr. Glikshtern and Mr. Langer produce their events with one eye on fun and the customer experience, and the other on safety, which is a high priority for the Port.

Based on the Ghost Ship experience and recommendations from other City staff with direct event experience with Mr. Langer and Mr. Glikshtern, Port staff believes that Pier Seventy Partners, Inc. is a highly qualified Event Manager. Port staff has conducted reference checks regarding Mr. Langer and Mr. Glikshtern with the San Francisco Police Department and San Francisco Fire Department. Port Homeland Security Program Manager Ken Tashian also reviewed the planning and execution of the Ghostship event at Building 12, and found that the event was well-executed from a public safety perspective.

Special Event Permitting

The proposed License requires the Licensee to obtain a permanent Place of Entertainment Permit for the facility within four months of the Effective Date, with a two month extension to accommodate a potentially lengthy permit application process, subject to the Executive Director's approval in her sole discretion. The Entertainment Commission process for considering applications includes a detailed application examining the types of planned entertainment (including food service and alcohol beverage service), facility layout, transportation, security, emergency medical transport, door policies, and neighborhood outreach.

In addition to the application, the process requires a one month public notice period during which the applicant must perform neighborhood outreach⁴, followed by a public hearing and vote at the Entertainment Commission. Port staff will require that Forest City's Event Manager include outreach to the Central Waterfront Advisory Committee ("CWAG") as part of this public outreach program. On March 19, 2014, Port and Forest City staff presented the proposed Building 12 Special Event License to CWAG. CWAG members were supportive of the proposal and the opportunity it presents to introduce the public to Pier 70.

Special events involve permitting and review by multiple agencies other than the Entertainment Commission, including the Port Engineering Division Permit Desk, SFFD, SFPD, the Department of Public Health (food service), and California Department of Alcoholic Beverage Control. Event planners must provide evidence of fire safety, proper exiting, compliance with the Americans with Disabilities Act (ADA), security, transportation services, event staffing, restroom facilities, recycling and waste management, and other details required to permit the planned event.

Under the Port's normal special event permit application procedures, applicants typically work with a Port property manager to navigate the Port's interdivisional permit review process. Given the high volume of events planned for Building 12 – on the order of 60-80 annually – Port staff have met repeatedly over the past month to devise a permitting procedure that will work for code officials and applicants, and reduce burdens on event applicants and proprietary real estate staff.

⁴ Entertainment Commission Place of Entertainment Permit outreach strategies.
<http://www.sfgov2.org/Modules/ShowDocument.aspx?documentID=1492>

Port permitting staff, including Port Chief Building Inspector Neil Friedman, Port ADA Coordinator Wendy Proctor, and Utility Specialist Richard Berman (with others as-needed), will schedule as-needed weekly meetings to discuss initial event planning and current permit applications with the Event Manager to provide feedback and/or sign-off for event plans, as appropriate. This strategy was successfully employed for 34th America's Cup event permitting. A draft of the Port's Building 12 Event Approval Form is attached as Exhibit B.

Consistent with Port Commission policy for places of entertainment, the proposed License requires that Special Events follow the Good Neighbor Policies in Exhibit C (which are also required under a Place of Entertainment Permit).

Rent and Waterfront Site Predevelopment Costs

Based on interim leasing principles of the Pier 70 Waterfront Site Term Sheet, endorsed by the Port Commission by Resolution 13-20⁵, Port staff has negotiated a rent structure for the site that acknowledges the inherent risk in starting up an event facility at the site, dedicates all net revenues to pay off a portion of current predevelopment expenses incurred by Forest City under the ENA earlier than the Port would otherwise be able to, and factors in the security expense that Forest City is assuming for the site. Under the proposed License, Forest City will:

- prepare and operate Building 12 for special events at its own expense;
- pay \$2,500 per month to the Port in License fees (staff estimate of Port costs that are not otherwise covered by permit fees); and
- use all Net Revenues to pay for Developer predevelopment costs that earn an 18% annual return under the Waterfront Site Term Sheet.

Net Revenue is defined as all payments, revenues, fees or amount received by Licensee for the use of the License Area less the cost of any permitted expenses ("Permitted Expenses"), which include:

- physical inspection, alterations and improvements, and repairs;
- expenses to clean and clear areas to make the site useable;
- additions to enable the provision of utilities;
- possessory interest taxes; and
- security during non-event periods and security or staffing required by adjacent Port tenants.

⁵ May 28, 2103 Port Commission staff report,
<http://www.sfport.com/modules/showdocument.aspx?documentid=6222>

Port staff cannot project the amount of Net Revenues that will be applied to predevelopment expenses. The success of the License will depend on Forest City and its Event Manager. The Port and Forest City are aligned in the goal of maximizing Net Revenue to pay off predevelopment expenses as quickly as possible.

Engineering Due Diligence

Forest City and Port staff have agreed on a plan to investigate the following aspects of Building 12 to ensure public safety: 1) seismic performance, 2) the condition of the Mold Loft and the subfloor supporting it, and 3) the condition of the exterior building cladding. Forest City will complete this due diligence by May 1, 2014 and submit any required building applications to repair deficiencies. Forest City will not stage any Special Events until its engineer certifies that the facility is safe for its intended use and provides sufficient supporting evidence to the Chief Harbor Engineer to allow him to make a final determination.

California Environmental Quality Act and Chapter 31 Appeal Rights

On March 19, 2014, the San Francisco Planning Department issued a Class 4(e) categorical exemption from environmental analysis pursuant to the California Environmental Quality Act ("CEQA"). The categorical exemption authorizes for minor repairs and special events.

If the Port Commission approves the proposed License through the attached Resolution based on this categorical exemption, its action constitutes the "Approval Action" (as defined in S.F. Administrative Code Chapter 31, as amended, Board of Supervisors Ordinance Number 161-13). As such, the CEQA decision prepared in support of this Approval Action will be subject to appeal within the time frame specified in S.F. Administrative Code Section 31.16. Typically, an appeal must be filed within 30 calendar days of the Approval Action⁶. With respect to this License, the Planning Department's Environmental Review Officer has deemed the Building 12 Special Events to be exempt from further environmental review and an exemption determination has been prepared and can be obtained on-line at - <http://sf-planning.org/index.aspx?page=3447>. Under CEQA, in a later court challenge, a litigant may be limited to raising only those issues previously raised at a hearing on the project or in written correspondence delivered to the Board of Supervisors, Planning Commission, Planning Department or other City board, commission or department at, or prior to, such hearing, or as part of the appeal hearing process on the CEQA decision.

⁶ For information on filing an appeal under Chapter 31, contact the Clerk of the Board of Supervisors at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, or call (415) 554-5184.

License Terms

<i>Licensee:</i>	Forest City Development California, LLC, a California Corporation, a subsidiary of Forest City California, Inc.
<i>Background:</i>	Pursuant to Resolution 11-21 Port and Forest City Development California, Inc. entered into an Exclusive Negotiating Agreement, dated July 12, 2011 as amended ("ENA") under which the Port and Forest City will negotiate terms for the lease, construction, and operation of an approved development project for the 28-acre Pier 70 Waterfront Site.
<i>License Area:</i>	97,202 square feet of Building 12/15/16 and 32 and 170,305 square feet at Seawall Lot 349, at the foot of 22 nd Street.
<i>Commencement Date:</i>	Anticipated April 1, 2014
<i>Expiration Date:</i>	December 31, 2017, unless earlier terminated by: <ul style="list-style-type: none"> • Licensee or Port with 120 days to either party • A termination of the ENA • A termination for cause, such as a failure to obtain a permanent Place of Entertainment Permit in the required time, or repeated failure to submit timely permit applications or follow Good Neighbor Policies
<i>Termination Rights:</i>	Upon a 120 day termination notice from Port, Licensee may continue to book the License Area for Special Events up until the Termination Date The notice and other provisions of this Section shall not apply to Port's termination pursuant to Section 13 (Default by Licensee; Remedies) of this License.
<i>License Fee:</i>	\$2,500/month
<i>Security Deposit:</i>	\$5,000
<i>Permitted Uses:</i>	<ul style="list-style-type: none"> • Special Events consistent with this License and the California Environmental Quality Act ("CEQA") determination by the San Francisco Planning Department; • Administrative office uses in a location approved by Port; • Parking ancillary to events; • Maintenance and repairs; and • Showing of the property to prospective clients. <p>Special Events having a cumulative anticipated attendance of 5,000 or more visitors shall require approval by the Port's Executive Director upon sixty (60) days' advance written notice, which approval shall not be unreasonably withheld or delayed.</p> <p>All Special Events must comply with the Good Neighbor Policy (Exhibit E).</p>
<i>Prohibited Uses:</i>	<ul style="list-style-type: none"> • Holding a Special Event if the 24-hr forecast calls for "near gale force winds" of 35 mph or greater • Use of or access to the 2nd Floor of the Building except for repairs • Operation of a private club • Off-site sale of alcoholic beverages, unless approved by the Port in its sole

	<p>discretion</p> <ul style="list-style-type: none"> • Use for hourly, weekly or monthly parking not associated with Special Events • Other activities typically prohibited in Port licenses
<i>Permitting:</i>	<p>Licensee or the Event Manager are solely responsible for submitting sufficient and timely documentation and plans to obtain any required Regulatory Approvals and Licensee and Event Manager agree to work directly with responsible code officials to obtain such approvals.</p> <p>No later than one hundred and twenty (120) days from the Commencement Date, Licensee or the Event Manager shall obtain a permanent Place of Entertainment Permit from the SF Entertainment Commission to permit the License Area as an ongoing event space. The Executive Director, in her sole discretion, may provide Licensee or the Event Manager a sixty (60) day extension of this deadline in the event of a lengthy permitting process. If the Licensee and the Event Manager fail to obtain the permanent Place of Entertainment Permit within this timeline, the License will terminate.</p> <p>Regulatory Approvals that are likely to be required for Special Events are listed in Exhibit B.</p>
<i>Additional City Services:</i>	<p>With respect to any Special Event requiring the approval of the Port Executive Director, Licensee and Port will negotiate in good faith with each other and with any affected City departments to determine whether additional street environmental services (litter pick-up, street sweeping) would be reasonably required in connection with such Special Event, and the incremental costs of providing such services. As part of the Fee under this License, Licensee shall either (i) pay the actual and reasonable incremental cost of providing street environmental services with respect to such Special Event, in an amount agreed to in advance by Licensee and the Executive Director, or if no agreement is reached, as reasonably determined by the Executive Director; or (ii) subject to the Port's approval in its sole discretion, arrange for some or all of the requested street environmental services itself.</p>
<i>Event Manager; Notice; Permitting and Calendaring:</i>	<p>Licensee shall designate a single event manager ("Event Manager") to act as its Agent with respect to Special Events under this License.</p> <p>Notice:</p> <p>Tiers of Events:</p> <ul style="list-style-type: none"> • A Tier 1 Event means a Special Event having a duration of two weeks or more, or an anticipated cumulative attendance of 2,000 or more visitors; • A Tier 2 Event means a Special Event having a duration of less than two weeks and an anticipated cumulative attendance of less than 2,000 visitors; • A Tier 3 Event means a small-scale, short-term and community-oriented event that requires minimal set-up and permitting <p>Notice Requirements:</p> <p>The Event Manager shall meet with Port:</p> <ul style="list-style-type: none"> • Tier 1: at least forty five (45) days prior to the proposed start date; • Tier 2: at least thirty (30) days prior to the start date; • Tier 3: at least fifteen (15) days prior to the start date. <p>Permit Applications:</p> <p>The Event Manager shall certify that it has paid applicable permit fees and submitted</p>

	<p>complete permit applications:</p> <ul style="list-style-type: none"> • Tier 1: at least thirty (30) days prior to the proposed start date; • Tier 2: at least twenty-two (22) days prior to the start date; • Tier 3: at least ten (10) days prior to the start date. <p>Licensee or the Event Manager shall obtain a final approval from the Port's property manager for each Special Event at least seven (7) days prior to the start date of the Special Event upon showing that it has obtained all Regulatory Approvals required for the Special Event.</p> <p>Failure to meet these deadlines is a material default and will render this License null and void with respect to the proposed Special Event.</p> <p>In order to accommodate special circumstances that may arise, License may seek the Executive Director's waiver of the deadlines for any Special Event no more than six (6) times in any twelve (12) month period.</p> <p>Calendar:</p> <p>In order to facilitate and coordinate each party's use of the License Area, no later than March 1, June 1, September 1, and December 1, of each year, Licensee shall provide Port with a calendar listing and describing in reasonable detail all upcoming scheduled Special Events for the following quarter.</p>
<i>Southern Waterfront Community Benefits and Beautification Policy:</i>	<p>During each twelve (12) month period of the Term and in satisfaction of Licensee's agreement under Section 21.20, Licensee agrees to hold at least five (5) free community-oriented Special Events, including outreach to the South East neighborhoods. In addition, Licensee for itself and on behalf of the Event Manager agrees to hire individuals and businesses from the South East neighborhoods.</p>
<i>Revenues:</i>	<p>Licensee shall apply 100% of the net revenues ("Revenues") received by Licensee from use of the License Area toward costs incurred by Licensee pursuing the Entitlement of the Pier 70 Waterfront Site under the ENA.</p> <p>Licensee shall submit to Port an accounting of Revenues received and Permitted Expenses incurred by Licensee from the use of the License Area for the immediately prior calendar quarter, subject to the Port's standard participation rent audit provisions.</p> <p>Any Disposition and Development Agreement executed by the parties in accordance with the ENA shall provide that Revenues received by Licensee under this License shall be deducted from Horizontal Development Costs as defined in the Waterfront Site Term Sheet for purposes of determining the Developer's Return thereunder. These provisions will survive the termination of the License.</p>
<i>Port Rights and Obligations:</i>	<p>Port shall have the right to use the License Area for Special Events of no longer than three (3) days, subject to reasonable prior written notice to Licensee, so long as such use does not conflict with a Special Event sponsored by Licensee.</p>
<i>As Is Condition:</i>	<p>Licensee acknowledges that portions of the Building are "red-tagged" (2nd floor) and other portions may not meet all Port Building Code and/or other standards required for use for the full range of Permitted Uses or for any specific Special Event.</p> <p>Licensee and Port have agreed on a scope of work to evaluate the safety and performance of the building under a number of conditions, including a seismic event. Licensee shall not hold a Special Event in areas deemed unsafe until it demonstrates to the satisfaction of the Chief Harbor Engineer that the building area is safe for its intended use.</p>

	Licensee is accepting the License Area in its "as is condition".
Cure Period:	A default that occurs during a Special Event must be cured immediately. For all other defaults, Licensee has forty-eight (48) hours to cure, with reasonable exceptions.
Signs:	Subject to obtaining Regulatory Approvals, Licensee shall have the right to post temporary signage within the License Area and at the entrance to the License Area on 22 nd Street.
Insurance Provisions:	<p>As approved by the City's Risk Manager, including:</p> <ul style="list-style-type: none"> (1) Host Liquor Liability coverage for any Special Event that will include liquor (including beer and/or wine); (2) Garage Liability Insurance for any Special Event involving parking and/or valet operations; and (3) Participants coverage when required by Port in its discretion. <p>Subject to the approval of the City's Risk Manager, Licensee's Event Manager may provide Commercial General Liability insurance.</p>
Zero Waste:	Licensee shall comply with the Port's Zero Waste Events and Activities Policy, including events with less than 5,000 people. Licensee agrees that to comply with the Board of Supervisors ordinance restricting the sale or distribution on City property of drinking water in plastic bottles of 21 ounces or less, currently under consideration by the Board of Supervisors.
Security:	Licensee shall be responsible for security services for the License area. Port shall have no obligation to provide security. Licensee agrees that any loss, damage or theft from the Building is not Port's responsibility. Licensee shall not be responsible for loss, damage or theft from the Building when the License Area is not being used by Licensee for a Special Event.
Access:	Licensee, Event Manager, Sublicensees and Invitees will have shared access to the License Area from 22 nd Street and 20 th Street with other users of the streets. Licensee may use Parcel D (as shown on Exhibit A) for up to twenty (20) Special Event days per year, subject to providing Port's Property Manager and adjacent Port tenants and licensees with no less than fifteen (15) days prior written notice, provided that Licensee agrees to: 1) place staff at the entrance to Parcel D from 22 nd Street and, if and as required by adjacent Port tenants, security along 20 th Street who will provide maps to customers of adjacent Port tenants and licensees showing alternate access of the area east of Building 12 from 20 th Street and otherwise cooperate with adjacent Port tenants, and 2) post signs at 22 nd and Illinois Streets and 20 th and Illinois Streets describing temporary alternate access. Without prohibiting vehicular access to customers of Port tenants and licensees, Licensee may direct vehicular access along the 22 nd Street Ramp at other times.

Recommendation

Port staff recommends that the Port Commission approve the attached Resolution approving revocable License 15790 with Forest City California Development, LLC, a California corporation, for a license area located at Building 12 and adjacent paved areas on such terms and conditions as described in this staff report.

By: Brad Benson, Director of Special Projects

For: Susan Reynolds, Director of Real Estate
Byron Rhett, Director of Planning and Development

Exhibit A Premises Map
Exhibit B Draft Building 12 Event Approval Form
Exhibit C Good Neighbor Policies

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 14-21

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, Pursuant to Resolution 11-21 Port and Forest City development California, Inc., a subsidiary of Forest City California, Inc., entered into an Exclusive Negotiating Agreement, dated July 12, 2011 as amended ("ENA") under which the Port and Forest City will negotiate terms for the lease, construction, and operation of an approved development project for the 28-acre Pier 70 Waterfront Site; and
- WHEREAS, Forest City Development California, Inc. proposes to operate a portion of the Waterfront Site as a facility for special events, including community events, corporate events, parties with amplified music, and cultural events including movie nights for the local community and art installations open to the public; and
- WHEREAS, Building 12 is a contributing resources to the Union Iron Works Historic District at Pier 70; and
- WHEREAS, Port staff has negotiated a forty-five (45) month revocable license ("License") with Forest City Development California, Inc. ("Forest City"), a California corporation, for a license area located at Building 12 and adjacent paved areas, comprised of 97,202 square feet of Building 12/15/16 and 32 and 170,305 square feet at Seawall Lot 349, at the foot of 22nd Street, at a rental rate of \$2,500.00 per month, on the terms described in the staff report accompanying this resolution; and
- WHEREAS, the License provides that Forest City will conduct safety inspections and make any required repairs to Building 12 to prepare the site as a special event facility at its own expense; hire a single event manager to manage events at the site with a duration of 180 days or less; adhere to the Port Commission's Good Neighbor Policy; obtain a permanent Place of Entertainment Permit from the San Francisco Entertainment Commission within four months of the commencement date; and, along with its event manager, assume responsibility for permitting of event special events with authorized City departments and state agencies; and

- WHEREAS, As a material consideration for the License, Forest City will provide security for the License Area both during and between special events, provided, however, that Forest City will not assume liability for loss, damage or theft from Building 12 when the License Area is not being used by Licensee for a Special Event; and
- WHEREAS, Licensee will apply 100% of the net revenues received by Licensee from use of the License Area toward costs incurred by Licensee pursuing the entitlement of the Pier 70 Waterfront Site under the ENA between the Port and Forest City California, Inc. as further described in the staff report accompanying this resolution; and
- WHEREAS, the License contains other material terms and conditions that differ from the Port's form license, which differences are further described in the staff report accompanying this Resolution; and
- WHEREAS, the permitted uses in the License are covered under a Categorical Exemption pursuant to the California Environmental Quality Act issued by the San Francisco Planning Department on March 19, 2014; now, therefore be it
- RESOLVED, that the Port Commission approves the License and authorizes the Executive Director or her designee to execute said License; and, be it further
- RESOLVED, that the Port Commission authorizes the Executive Director or her designee to take all actions delegated to the Executive Director in the License and to enter into any additions, amendments or other modifications to the License that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the City or Port or materially decrease the benefits to the City or Port, and are necessary or advisable to complete the transactions which the License contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director or her designee of the License, and any such amendments thereto.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 25, 2014.

Secretary

Exhibit B - Building 12 Event Summary Sheet

BASIC INFORMATION

Event Name	
Day & Date	
Access	<input type="checkbox"/> Open to Public <input type="checkbox"/> Private Party
Client Name	
Client Contact	Cell:
Expected Attendance	
Load-IN Time	
Load-OUT Time	
Entertainment	
Food Service	
Beverage Service	

PRODUCTION

Floor Manager	
Lights	
Sound	

PERMITS	PERMIT #	CONTACT	DATE APPROVED
Special Event – Place of Assembly Permit (SFFD)			
Building Permit (Port)			
Security Plan (SFPD)			
Operations Plan (Port)			
Traffic Plan (SFPD)			
Emergency Medical Service Plan (DPH/ SFFD)			
Alcohol Beverage Control License (CA ABC)			
Food Service Permit (DPH)			
Amplified Noise or Place of Entertainment Permit			
ISCOTT			

Event Manager Certification: I certify that to the best of my knowledge all permits and Regulatory Approvals as defined in License 15790 that are required for this event have been issued.

Signature: _____ Date: _____

Deliver completed form to Port property manager no later than 7 days prior to an event.

Exhibit C: Good Neighbor Policy

1. Licensee shall provide notice of pending Special Events with a duration of five (5) days or more (excluding set up and take down); Special Events with an estimated attendance of 5,000 people or more; Special Events which require an amplified sound permit under the SF Police Code; and Special Events which involve the sale or distribution of alcohol at least one week prior to such Special Event to the Central Waterfront Advisory Group (or its successor advisory group), neighbors or neighborhood organizations requesting notice and others as requested by Port.
2. Licensee shall remove from the License Area and public rights-of-way that access the License Area (including 22nd Street, Illinois Street between 20th and 23rd Streets, and, if applicable, 20th Street) all debris and refuse resulting from the Special Event within 12 hours of the conclusion of any Special Events.
3. Licensee shall prominently display notices in a well-lit at all entrances to and exits from the License Area urging patrons to leave the License Area and neighborhood in a quiet, peaceful and orderly fashion and urging patrons not to litter or block driveways in the neighborhood.
4. Licensee shall post Special Event staff at all entrances and exits to the Special Event Area during the period from 10:00 pm to such time past closing that all patrons have left the License Area or Special Event Area. Staff will urge patrons waiting to enter the License Area and those exiting the License Area to respect the quiet and cleanliness of the neighborhood as they walk to their parked vehicle or otherwise leave the area.
5. Licensee shall cause sufficient toilet facilities to be accessible to patrons within the License Area, and toilet facilities shall be made accessible to prospective patrons who may be lined up waiting to enter the License Area.
6. Licensee shall provide outside lighting at the License Area in a manner that would illuminate outside street and sidewalk areas and adjacent parking, as appropriate.
7. Licensee or its agents shall provide adequate transit options or parking for patrons that would encourage use of transit or parking by Special Event patrons. Adequate signage shall be well-lit and prominently displayed to advertise the availability and location of such transit or parking resources for Special Event patrons.
8. Licensee or its agents shall provide adequate ventilation within the structures such that doors and/or windows are not left open for such purposes resulting in noise emission from the License Area.
9. There shall be no noise audible outside the License Area during the daytime or nighttime hours that violate the San Francisco Municipal Code Section 49 or 2900 et. seq. Further, absolutely no sound from the License Area shall be audible inside any surrounding residences or businesses that violates San Francisco Police code section 2900.

10. Licensee or its agents shall implement other conditions and/or management practices necessary to insure that management and/or patrons of the License Area maintain the quiet, safety and cleanliness of the License Area and the vicinity of the use, and do not block driveways of neighboring residents or businesses.
11. Licensee or its agents shall take all reasonable measures to ensure the sidewalks adjacent to the License Area are not blocked or unnecessarily affected by patrons or Special Event staff due to the operations of the License Area and shall provide security whenever patrons gather in the area or on the License Area.
12. Licensee or its agents shall provide a cell phone number to all interested neighbors that will be answered at all times by a manager or other responsible person who has the authority to adjust volume and respond to other complaints whenever entertainment is provided.
13. Licensee or its agents shall cause a manager or other responsible person to answer a cell phone for at least two hours after the close of Special Event to allow for police and emergency personnel or other City personnel to contact that person concerning incidents.



SAN FRANCISCO PORT COMMISSION

**MARCH 25, 2014
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

HON. LESLIE KATZ, PRESIDENT

HON. WILLIE ADAMS, VICE PRESIDENT

HON. KIMBERLY BRANDON

HON. MEL MURPHY

HON. DOREEN WOO HO

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MONIQUE MOYER, EXECUTIVE DIRECTOR

AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MARCH 25, 2014

1. CALL TO ORDER / ROLL CALL

Port Commission Vice President Willie Adams called the meeting to order at 2:05 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon, and Mel Murphy. Commissioner Woo Ho is travelling and has been excused for this meeting. Commissioner Leslie Katz arrived at 2:07 p.m.

2. APPROVAL OF MINUTES – March 11, 2014

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor; the minutes of the March 11, 2014 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Murphy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 2:07 p.m. the Commission withdrew to executive session to discuss the following:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR -- This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- (a) Property: Block 4111, Lots 3 and 4; Block 4110, Lot 1; Block 4046, Lots 1 and 2; also known as Pier 70 20th Street Historic Buildings, located near the intersection of 20th Street and Illinois Street

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

*Negotiating Parties: Developer: Orton Development, Inc.: J.R. "Eddie" Orton III, President

5. RECONVENE IN OPEN SESSION

At 3:20 p.m., the Commission withdrew from executive session and reconvened in public session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- San Francisco Giants Parking Lot A Special Event

Monique Moyer - The San Francisco Giants are planning a new special event. They're just getting it underway in terms of the planning and approval process. As you probably know, we have a license with China Basin Ballpark Corporation for the operations of what's known as Lot A to the public and Seawall Lot 337 to the Port. Part of that lease, which was executed in 2012, includes the ability to do special events up to 90 days duration. As you know, there are many special events that happen there. Probably the best known is Cirque du Soleil that comes every two years or so. The Giants are looking to do a little bit more. They're thinking about activating the northwest corner of Lot A with more of an ongoing special event that would be a temporary popup village, kind of akin to what we saw at the America's Cup village at Piers 27 and 29.

The installation would utilize several repurposed cargo containers as well as publicly accessible patios, decking, moveable furniture, and other gathering space amenities. The purpose would be to showcase local food and

beverage providers and create a unique space. It's being envisioned as an opportunity to activate the space for something other than just parking and provide more community gathering there in between some of the larger events like Cirque du Soleil.

Anything that goes past 90 days would require approval of the Port Commission. In all likelihood after they finish envisioning this, it will come back to the Port Commission for its approval. Because they're starting the conversations publicly, we wanted to make sure that the Commission is aware that they are working on this envisioning and place making type idea. We're excited about it and you'll be hearing a lot more about it as it gets envisioned with a bit more definition.

- Launch of San Francisco Water Taxi, point-to-point service

I wanted to announce the launch of San Francisco Water Taxi. The agenda indicates that it is a point-to-point service, but in fact it is a hop-on, hop-off service. It's more like a bus. We have two water taxi operators that were selected through a competitive bidding process. One is Tideline Marine, which has been underway since 2012 and they made a couple of presentations to the Commission about their service. There is more of a point-to-point on-call service. In other words, you call for them and they pick you up at one of their landing facilities, and they drop you off at one of their landing facilities similar to a taxi.

In this case, San Francisco Water Taxi will be operating a hop-on, hop-off service, more like a bus service. You could hop on at Pier 40 and hop off at Pier 1½ on your way north or you could hop off at Hyde Street Harbor.

San Francisco Water Taxi was selected at the same time that Tideline Marine was selected in 2012. They were recently able to get the first of their five boats certified by the Coast Guard. They had a soft opening on Saturday, March 15, 2014. They had 47 passengers on Saturday and 55 on Sunday.

This past weekend because of what was going on at the waterfront, they saw more visitors wanting to move between the ferry building and Fisherman's Wharf than move towards Rincon and/or the ballpark, but we expect to see people moving up and down from the central waterfront to the northern waterfront as we get into the summer months. Our goal would be to move people even further south as we get more infrastructures built.

San Francisco Water Taxi has landing rights at three locations: the Hyde Street Harbor in Fisherman's Wharf, Pier 1½, which is behind the La Mar restaurant and at Pier 40 South Beach Harbor. In fact, those are the same landing points that Tideline Marine has. We are looking forward to their operations plan going full board.

They have purchased four boats so far. One, as I mentioned, is already certified. She's known as Little Taxi, pictured here at Pier 1½ this past Saturday. It was obviously a beautiful day to be out on the water. The water looks great there. The plan is to have three boats operating simultaneously by August. Ticket prices would range from \$5 to \$10, with an all-day hop-on, hop-off pass for \$15.

We are looking forward to them getting underway and developing the marketplace. I expect over time that we'll be seeing more iteration to this service. Hopefully as we have more water taxi landings put in, such as Pier 15 at the Exploratorium, we'll be adding to the places that you can hop on and hop off.

I wanted to introduce Dave Thomas, who is the owner of San Francisco Water Taxi. Dave, as I think you may remember from when we initiated this contract with him, operates a vessel known as the Emerald Lady out of Pier 39. She holds about 17 passengers. He ran about 35,000 passengers this past year in 2013 with just the one boat.

We're hoping to see a good amount of ridership as his business gets underway. We're very pleased to welcome him. Best wishes to you. You'll be able to see the vessel out on the Bay with fairly easy naked eyes.

- Cancellation of April 8, 2014 Port Commission meeting

Due to a lack of agenda items, we are cancelling our April 8, 2014 Port Commission meeting. Our next regularly scheduled commission meeting will be April 22, 2014 at its usual time.

- Small Business Exchange Article - Port of San Francisco: Diversity Abounds

In the March 13, 2014 Small Business Exchange, which looks like this for those of you that are readers. The Small Business Exchange, a weekly periodical, is known as the voice of small, emerging, and diversity owned businesses. The Port of San Francisco is featured in the March 13, 2014 edition. The title of the article is the Port of San Francisco: Diversity Abounds. Renee Martin was interviewed, Byron Rhett was interviewed, and I was interviewed about the different attributes of our racial diversity, focusing a lot on the diversity, both gender and racially, of the commission itself plus the senior management of the Port all the way down through the ranks and about our history with diversity in policy making with regard to opportunities for all types of folks, most especially those represented by the contractor. So it's a really nice article. Not everything was reiterated exactly as I think I said it, but it still was a very nice piece. We're proud to be profiled.

- Organized Labor Profile on Local 34 Port of San Francisco crew members
We are also very surprised and pleased to be profiled in this month's March edition of Organized Labor. You can see us right here on the front cover. It's a wonderful profile of the Local 34. Local 34 is the pile drivers, the divers, the carpenters, bridge, wharf, and dock builders union. 7 of our 16 pile workers were profiled. It's really a great piece on them that was a surprise to me. I don't know that Renee even knew about it.

I haven't seen this done before where a particular union was profiled in so much depth. The pictures that they're showing here are the crews working down at Pier 96. I just want to read a couple of key tidbits from each of the interviews. They interviewed seven of the crew members.

It profiles Mike Wetzel, who's a pile worker supervisor; Ron Wetzel, who's a pile worker; Kevin Patterson, who's the dive supervisor; Dan Adams, who's a pile worker, his father was a pile worker; Bruce Lanham, who's a pile worker; Gary Hughes, a pile worker; and Anthony Bettiga, a pile worker. Some of what they had to say I thought was worth sharing.

In the words of Mike Wetzel, "Replacing wooden piling is almost a lost art." Most ports are now built out of concrete, but San Francisco wants to keep the tradition of heavy wood. So we basically drive piles, which can be from 35 to 100 feet long." Mike Wetzel says, "We always have to remember that what goes up, can come down and I was always taught to keep my head up."

Bruce Lanham said he "feels like a part of the history working on the bridges and rebuilding the docks. Underwater, you do everything by feel because you can't see." Gary Hughes says, "We can be driving pile and then get a call to help pull a boat out of the water or fix a bridge to a restaurant. When there's an emergency on the waterfront, from oil cleanups to search and rescue, we often get called in. One time a whale was stuck under the pier. There's no playbook for removing a whale." Amen to that. It does come under the header finders keepers, it turns out.

Gary finishes up by saying, "Whatever it takes to keep the waterfront running, we help out." Finally, Anthony Bettiga says, "The best part is being on the water. It's hard, heavy work and you have to be aware every minute. We watch out for each other. It's like having eyes in the back of your head."

We're very proud of our pile workers as we are of all of our craftsmen and women. It was really gratifying to see them getting recognition in the Organized Labor monthly.

- Celebrating the Exploratorium's 1 million visitors and (almost) first year anniversary – April 17, 2014

On March 18, 2014, the Exploratorium welcomed its millionth visitor at its new home at Pier 15. To put that in perspective, at the old location the Exploratorium would average approximately 450,000 visitors a year so a million is quite a feat to do at its new location.

The millionth visitor was a five year old named Kamiya-Lee Luchetti. Dennis Bartels, who is the executive director of the Exploratorium, will give you a few words about how all of that went. They have welcomed a million ticketed visitors, but as you may know, they have one and a half acres of free space as well. I don't think there's a headcount on exactly how many people have been out to the pier. I know during events like the America's Cup it's quite packed out there. Some people just go out to hang on monkeys or to walk to generated fog. Why anybody wants to walk through generated fog is beyond me, but they do. They love it.

I'd like to welcome Dennis Bartels to say a few words. Dennis, as you probably know, is an internationally known science and education and policy expert. He's been the head of the Exploratorium since 2006. He's a Stanford PhD and just generally a good guy. So he's one of those few PhDs that can actually explain things to children and therefore I can understand what he has to say. Please join me in congratulating the Exploratorium and Dennis.

Dennis Bartels - Indeed, it really is a privilege for me to come and share a few facts and figures about our almost first year here at the new site and some really exciting facts to share.

As Monique mentioned, we did have our one millionth visitor show up on March 18, 2014. We are heading probably towards some number between 1.1 and 1.2 million visitors here in our first year in total depending on how big of a crash we see here on spring break, which tends to be one of our busiest seasons during the year. Our overall attendance is about 2.5 times more than it was at the Palace of Fine Arts. These were numbers that would have been inconceivable without the central location here at the new place.

We actually are seeing twice as many school field trippers as we saw in the old place. In fact, we're seeing 25 percent more than we ever could have guessed. The reason why we're actually seeing even more school field trips than we could have guessed is we thought that the constraining factor would be the number of buses that we could get in and off the Embarcadero. Everybody was surprised, including us, to see that more than half of the school field trips are showing up by public transportation.

If you ever get a chance to walk up and down the Embarcadero, especially between here and Pier 15, you'll see tons of groups of kids all dressed alike, same t-shirt or same dresses or whatever it is, same identifying tags or hats. It's quite remarkable, especially in the springtime, to watch what happens between 9:30 and 10:30 between here at the BART station and what happens down there at Pier 15 and 17.

We've also welcomed 15,000 school kids for free as Title 1 students through the generosity of PG&E is one of our amazing corporate sponsors that made every Title 1 school in California be able to come to the Exploratorium for free.

In the first six months, 43% of the people came to the Exploratorium for the very first time. Also in the very first six months, 52% of people who visited Exploratorium came by means other than car. The public transportation option has been a game changer for us because to get to the old site, almost 90 percent of the visitors had to come by car so that's a huge change for us.

Our adult-only evening attendance has gone up almost six times from our old place, again something we blame on having such a fabulous location here locally. As well as we're seeing three times more members and family memberships than we saw at the old home.

Our new site has allowed us to start hundreds of new partnerships that were very vital to our revitalization with groups as diverse as the National Oceanographic and Atmospheric Administration (NOAA), U.S. Geologic Survey, a new institutional partnership with U.C. Davis as well as the Romberg Tiburon Center for Environmental Studies, and other institutions locally and internationally. We tripled the amount of revenue that we earned from our global studio's work. We're going to earn about \$6 million a year just from our contract work with other institutions and people around the world.

We grew from about a \$30 million a year organization at the Palace of Fine Arts to about \$48 million a year at the new home. We're going to generate about \$50 million worth of revenues in our first year at our new home. Indeed we are actually cash positive, which is very exciting and important to us.

Finally, we were so delighted about a month ago to receive a LEED platinum certification from the U.S. Green Building Council, something we thought actually was impossible with a rehab. It really speaks amazing things about our design team to take a 100 year old pier and property and get it up to the level of LEED platinum. We are extremely proud of that.

From the moment we signed the lease through the two years of construction and getting the program ready to go to announcing our opening day two years in advance on April 17th and being able to open on April 17th and then the first year that we've been open. We could not have imagined and it has exceeded our highest expectations what an incredible and supportive partnership we have with the Port of San Francisco.

The Port has been amazing. You have done things beyond the call of duty. Just to cite one example, we had been receiving almost a dozen ships now. We have docked educational and research vessels that the public are allowed to walk onto at Piers 15 and 17. We thought we got very good at it until we invited the Falkor, which is a privately owned research vessel, 270

feet, owned and operated by Eric and Wendy Schmidt. We thought this was an important research vessel to bring to the docks. However, we didn't realize that every other boat we had invited to dock with us before this had been a government-issue boat. There's a whole another set of regulations that you encounter with a foreign flag ship. We hadn't realized that the Falkor is a foreign flag ship. We decided to do this with about 30 days before it was to arrive. When we discovered that we needed to work with the Port, the Navy, the Coast Guard to work through a whole new set of plans with Homeland Security and others, a process that normally takes 90 days, everybody worked triple time and were able to put it together in 30.

It's an amazing, supportive, and wonderful relationship that we have experienced with the Port and all of your staff and partners. I want to publicly acknowledge how much of this partnership is genuine and true and is working, from our perspective, beyond our wildest imagination. Thank you for that support.

Monique Moyer - Dennis, thank you very much. I know the feeling is incredibly double sided. We've really enjoyed it. We love seeing the new types of vessels that you're bringing our way, as well as some of our old friends. We really appreciate your ability to welcome the ships. It's part of the cachet that the Port has worldwide is this conjoining of uses. It's not common to see groups of kids around vessels like this in other ports. It's not common to see places where there aren't fences. It's been a great partnership. The vision you brought to our waterfront and then delivered on has been fantastic. We're equally pleased and honored.

I get to hear those kids coming a mile away when they go up the waterfront and when they come back. It's really a lot of fun. I see them down on the Muni Metro quite a bit. Even after wearing themselves out at the Exploratorium as they're going back wherever they're going, they're still abuzz with energy. That's really gratifying. We're so pleased to have you and help us get a whole new demographic to the waterfront and teach people, particularly a new generation, the value of the waterfront is really gratifying.

Commissioner Katz - I also want to thank you and everyone else at the Exploratorium for just the extraordinary work that you all do. You highlighted incidentals, but highlighting public transportation, encouraging that kind of usage for school kids and others to come to a space like the Exploratorium is really exciting. Having been a school kid that went to the old site and then as a camp counselor that used that for every rainy day activity we could think of, I know what a wonderful opportunity it is for children to come through and what an impact it makes on their lives. The new site is just beyond extraordinary, although I have to say when I tried to take my dog walking across the plank with the fog machine, it's the first time he ever balked at anything. But I'm also very pleased to hear that you obtained LEED platinum certification, which demonstrates that rehabilitation and repurposing buildings

can achieve that high standard. That's equally extraordinary as some of the other achievements.

Most of all, I want to thank you and on behalf of the Port Commission and staff recognize that it's not only your one year anniversary, but you're now also welcoming over one million people to the site, which is really stupendous and has really helped activate the waterfront for all of us and has really drawn a whole new core of visitors here. I want to thank you for that and present you with a plaque.

Monique Moyer - Thank you very much and thank you for coming today. Congratulations to all the team at the Exploratorium and your board.

B. Commissioners' Report

- California Association of Port Authorities' Resolution on the California Lesbian, Gay, Bisexual and Transgender Ports Diversity Group, adopted on October 4, 2013

Commissioner Katz - I'm very pleased to report back on two items. One is about a week and a half ago, the Port of Oakland hosted the third meeting of the California Association of Port Authorities' (CAPA) Lesbian, Gay, Bisexual and Transgender Affinity Group. That means the 11 ports throughout the state of California have now become a recognized affinity group within CAPA and get together periodically, hosted by the different ports, to discuss ways that the LGBT community can be further embraced through the ports, encouraging staff members, contractors, and others to feel comfortable in being who they are.

As we heard earlier, the Port of San Francisco has been recognized for its diversity and supporting the LGBT community is just one aspect of supporting the diversity of our ports. It's been a wonderful opportunity for those of us that are members of the affinity group to meet with our colleagues from the other ports and develop those strong relationships.

We've already been starting to talk about different ways we can participate in activities, particularly with the Port of Oakland, but with others, in sharing those kinds of experiences and understanding each other's ports within this affinity group, but also welcoming people that are part of the ports, but they're not necessary within the designated affinity group per se. We're particularly pleased to have our executive director, Monique Moyer, join us on behalf of the Port of San Francisco. It was highlighted at the meeting how important it is to have the leadership of the various ports recognizing the affinity group and demonstrating to the employees that all are welcome, that their diversity is embraced.

As was said repeatedly, it's so important to ensure that all employees feel comfortable in their employment and in their work environment. They can

bring their full selves to work each day without having to hide any part of who they are or feel any kind of threat that they're not supported in their entirety. It only enhances their ability to work at their jobs. Supporting that dignity and support for all employees is something that's so important for the Port of San Francisco and the Port of Oakland who hosted us and all of the others.

I am particularly pleased we had incredible participation from the Port of Oakland. They organized an amazing day with a tour. The Port of Oakland also encompasses the Oakland Airport. There was a tour of the control tower. There was a meeting that was facilitated by all participants. It was tremendously successful in generating ideas, opportunities, and creating the fellowship and camaraderie amongst the ports.

Then there was a tour of the port's cranes and so many of us had our first walk across a catwalk hundreds of feet above the ground. It was quite a view and a spectacular day. From the Port of San Francisco, we had several participants. Want to thank them for joining us. As I mentioned, Executive Director Monique Moyer received a number of kudos from our colleagues for being there as executive board of CAPA as well as the head of the Port of San Francisco. Her presence meant so much to everyone. That was the kind of leadership that the affinity group recognizes and appreciates and wants other ports to be able to demonstrate.

Our CFO Elaine Forbes was able to join us. Lawrence Brown, finance team, and David Rosales. Unfortunately or fortunately, Jim Maloney, who is one of the leaders in organizing the affinity group was away on business in Asia, but he was missed and brought up repeatedly.

I particularly want to thank Oakland Port Commissioner Michael Colbruno who was one of the initiators of creating this affinity group and led the formation of this effort. Also Richard Sinkoff from the Port of Oakland, who I've known for a number of years, but I saw him in a different light as he was a masterful facilitator and brought the group together. He and his team arranged just an incredible day. We want to thank them. I also want to thank Port of Oakland executive director, Chris Lytle, who wasn't able to be there but sent his wishes and certainly put his imprimatur on the day.

As part of the day's events, I realized we had referenced this previously, but the California Association of Port Authorities has actually passed a resolution with respect to the California Lesbian, Gay, Bisexual, and Transgender Ports Diversity Group. One of the actions is to make sure that we read the entire resolution so that all the ports recognize and others affiliated with the ports and all of our employees see how important this issue is and how seriously it's taken that we embrace all of our employees in every capacity and the diversity of our workforce. So for the record, the resolution reads:

"Whereas the California Association of Port Authorities (CAPA) is comprised of the state's 11 publicly owned commercial seaports and is dedicated to maintaining a vigorous and vital port industry in California; and

Whereas the California Association of Port Authorities has been in existence since 1940 and is committed to promoting the interests of California's ports and leading the way in innovative and cutting edge environmental friendly port operations; and

Whereas the California Association of Port Authorities is governed by the executive directors of the state's commercial public seaports who serve as members of the Association's advisory committee; and

Whereas California ports believe in a diverse workplace and are committed to diversity in their respective administrations; and

Whereas California ports support inclusivity of all people regardless of race, color, ethnicity, national origin, religion, disability, sex, gender, expression, gender identity, or sexual orientation; and

Whereas diversity generates greatness and success and California ports provide opportunities for men, women, and the transgender community who possess great talent to advance the state's port system; and

Whereas members of the lesbian, gay, bisexual, and transgender community contribute to California's publicly owned port system, from elected or appointed officials to key staff in the maritime, tourism, marketing, real estate, public safety, and hospitality arenas; and

Whereas CAPA facilitates the meeting of the LGBT Ports Diversity Group, which is comprised of port officials and staff for the purpose of building fellowship among the lesbian, gay, bisexual, and transgender community within the port industry; and

Whereas the first designated meeting of the LGBT port officials took place on Friday, September 6, 2013 in San Francisco and was attended by approximately 30 individuals from the 11 California ports; and

Whereas CAPA understands the valuable role of the LGBT Ports Diversity Group in facilitating productive dialogue, innovation, camaraderie, and constructive working relationships among the 11 California ports; and

Whereas on the 10th day of July 2013 in Sacramento, CAPA advisory community presiding by President Wayne Darbeau, president and CEO of the Port of San Diego, voted unanimously to recognize the LGBT port community as an official CAPA affinity group.

Therefore, be it resolved by the advisory community that the California Association of Port Authorities officially recognizes the LGBT Ports Diversity Group as an official affinity group within the California Association of Port Authorities."

I am very pleased to announce that we now actually have a formal resolution which I'm not sure it can be shown to everybody, but commemorating that day. So again want to thank everyone involved, particularly our team here from San Francisco and the team in our sister port across the bay from Oakland. Thank you.

It's a little bit out of order but could I recognize Richard Sinkoff to come forward and speak. He's here from the Port of Oakland.

Richard Sinkoff - Thank you very much for the warm welcome. Good afternoon, President Katz, Vice President Adams, Commissioners Brandon, Murphy, and I guess someone is missing today. Also Executive Director Moyer, Port of San Francisco staff, members of the public. Thank you very much for the warm welcome.

I am the director of the Port of Oakland's Division of Environmental Programs and Planning. I'm also here, of course, on behalf of our executive director, Chris Lytle, and the president of our board, Ces Butner, and all of the Port staff, both at our seaport and our real estate area, in the field, in the trades, labor, to thank the Port of San Francisco for your commitment and engagement and leadership on the Lesbian, Gay, Bisexual, Transgender Diversity Group.

As was said but it bears repeating, San Francisco hosted the first meeting in June. It was informal, but we got a great view of the Port of San Francisco, its maritime activities. We had a fantastic tour also of your northern waterfront. One of the key objectives of the diversity group is for port staff around the state in these 11 public ports to learn about our businesses, the diversity of our businesses, the diversity of our staff, and to build new bridges that perhaps have not been explored because there are certain groups that haven't felt that they've been able to fully participate.

Our objective is not only to increase visibility, to strengthen support, to build the camaraderie, but also to advance the mission of all of our public ports, which play such an important economic role in California.

The second meeting I also want to recognize the efforts of the Port of San Diego, the leadership of executive director Wayne Darbeau and San Diego staff, including the president of their board, Bob Nelson, who hosted the second meeting. It was a working meeting. We crafted a mission for the Lesbian, Gay, Bisexual, Transgender Diversity Group. We also identified key issues which have been covered, but again it bears repeating, that in addition to overcoming barriers which we've recognized, we do see this as a major

opportunity to advance business opportunities, collaboration, and build stronger ports.

Also another aspect is leadership. We believe that the group itself is demonstrating leadership. A key focus is to continue to cultivate talent and leadership wherever that can be found. Removing barriers as a way of identifying people throughout our organizations, whether they're pile drivers as you talked about or crane operators or people in offices to identify those leaders and make sure we're doing absolutely everything we can to encourage the next generation of leadership within our industry.

Thank you very much for mentioning the day that we hosted for you. We were delighted to show you the Oakland International Airport, which I'm sure you all know is now completing the BART connector. Many people say I'm here in San Francisco, but actually Oakland International is closer to downtown San Francisco than our sister airport further down the peninsula. We hope you'll fly Oak as frequently as you can.

We did go to the new air traffic control tower. We hosted a facilitated meeting and then we had an intrepid group visit our shore power installation at Howard Terminal where they were able to see the plug-in technology that we have completed at the Port of Oakland and I know you've done the same at the cruise terminal to make sure that ocean going vessels and cruise vessels are not emitting that diesel soot that's so harmful to our local communities. We showed you how we do that in Oakland with design technology that we have implemented in Oakland.

Then we had the crane tour. I salute Executive Director Moyer for going up. It was actually one of our older cranes, so the cabin was very small. President Katz, I think you went to the very top. It was a fantastic day. I say this all the time to my staff. I would say it to anyone. There's nothing like getting out into the field to see the conditions there. It demonstrated a lot of moxie and courage on behalf of all of us.

I want to reiterate that we are focused on action. We identified in our meeting a set of actions that we intend to pursue. You've actually completed one today, so kudos to you for reading the resolution. We felt that was very important not only to say there is a resolution, but to read it so the public can hear the commitment and the full engagement of the port commission. I salute you for doing that. We did that as well.

Our executive director, Chris Lytle, when he invited everyone to come to Oakland, he said in his letter, "By all measures, this is a historic and significant step towards promoting full inclusion and diversity for all members of our CAPA community." I do want to reiterate what President Katz said. We are focused on the issues that are perhaps specific to the lesbian, gay, bisexual, transgender communities in our industry, but the issues of diversity, the issues of inclusion are much broader. We hope that the potential of the

LGBT Diversity Group will be realized in that it will expand its purview so that all members of the port community can feel fully realized and fully included

Thank you very much for the time, the deference. It's wonderful to meet everyone here at the Port of San Francisco to get to know you closer. We look forward to further collaboration.

Commissioner Katz - Thank you very much. Thank you for joining us today.

Commissioner Adams - I'd like to just take a few minutes to talk about my recent trip to China with the Port of San Francisco. I'd like to start off in dedicating my report to the victims of Malaysian flight 370 and their families. Jim Maloney and I landed in Shanghai on the 8th of March. That was the same day that that flight went missing. They were also supposed to be going to China.

Among our group was Peter Dailey, deputy port director and Jim Maloney, marketing director from the Port. We went to a breakbulk conference. What we were doing was boots on the ground. We were there to build up, make contacts, and talk to customers to bring more general cargo to the Port of San Francisco.

I thought we had some very great meetings. Our first meeting was with the China Chamber of Commerce. I thought it was a really great meeting. We got a lot of insight. I think that's an organization that we might join. I think it will help us in our interactions in China. We met with Governor Jerry Brown's office.

Also what I really liked was that China has a developing middle class now. China now has more billionaires than they do in the United States. Now they're starting to travel. What really appeals to them is taking cruises, like a cruise from China to Hawaii, to San Francisco. We were able to want to market our new terminal coming online because this year we always talk about the big developments in the Port of San Francisco and I always say that's a good thing but sometimes developments are like a helicopter. It has a lot of moving parts to it.

This year is the year of maritime with the opening of the James R. Herman Cruise Terminal in September. What we pitched to the people in China was that the biggest operator is going to come to our opening day here in San Francisco to see our new terminal, the best cruise terminal, the most modern, most hybrid terminal in the world. We want to do a hookup where we can go via satellite and it will be shown all over China what's happening in there. We're going to do everything we can to use this new technology to show our new terminal here and to promote it. We think that it will help San Francisco.

Jim, Peter and I went to the largest breakbulk terminal in the world. We also had Jim Dillman, who's the president of Metro Ports. We went collectively together. That was really good. You had the Port, you had the ILWU, and you had the Stevedore Company. When we sat to talk to the customers, we talked as a group. We spoke as one voice. We were really able to market the Port of San Francisco.

I want to thank Jim and Peter for all the meetings they had set up because it really engaged us and put the Port of San Francisco on the world stage. We were able to promote our ports, especially what we want to do is put a working group together with Metro Stevedore, the Port of San Francisco, and the ILWU, and I'll be a part of that, and we really want to develop Pier 80, Pier 92, and Pier 96 because these are jobs.

Unfortunately in this world that we live in, we have to compete with other ports. That's just how it happens but I think we have a very special port. It has a lot of diversities. You have baseball stadiums. You have restaurants. You have Exploratorium. You're going to have a cruise terminal. Maybe we'll have a basketball team. I don't know. But these are some of the things that we talked about.

I'll be leaving next week. I'll be back in Washington, D.C. I'll be meeting with Secretary of Transportation Foxx. I want to talk about our port, but also we want to talk about TIGER grants with them as we promote the Port of San Francisco, dredging and things like that.

I thought that our trip was really good. I'm going to save a few minutes for Jim and Peter to come up but all in all we did very well. We had dinner one night with the Port of San Diego. I think that what I've learned in China is that they don't really like to do a lot of conference call and talking on the phone. You have to build personal relationships with people. They made it really clear that sometimes you have to meet with people 15 or 16 times before you can ask them with something.

We had a really nice luncheon with the Port of Shanghai, which is our sister port, which was really good. If we hadn't went, they would have been really disappointed. They themselves want to come over to the opening of our new James R. Herman Cruise Terminal. These relationships are very important because Shanghai's the largest port in the world.

One of the things that I like about China and I've said it a million times, in China, they get it done. Here in the States, we do a lot of talking. They had a new facility there, the largest breakbulk terminal. They didn't talk about it. Within two years, this thing is up and operating. Peter and Jim have pictures. It's fascinating.

If our politicians could get through the crap and get things done, we would be a much more effective society. You learn now why they spend more money

in infrastructure in one month than we do all year. There's a lot of lessons that can be learned. Nothing is perfect, but I thought it was a great opportunity for the Port. We had some great meetings.

Hopefully, we can really build our maritime at the Port of San Francisco. We're all in. We're dedicated. We've got all the partners and all the stakeholders.

At this time, I'd like to have Jim Maloney and Peter Dailey come up. They have some pictures. Clearly there's commitment.

Peter Dailey, Maritime Director of the Port - As Commissioner Adams said, we had a long but good trip in Shanghai and in Beijing. We covered the full spectrum of the political world. We saw China SF, the city agency that promotes San Francisco in Beijing. We saw the California Office of Trade and Investment, their new office so we had the state covered. On the last day, we met with the commerce division of the U.S. Embassy and was able to get a glimpse of Senator Baucus, a friend of Commissioner Adams, the new ambassador, as he was addressing his troops for the first day.

We did attend the Breakbulk Conference for the third year in a row. If you're not there, they're talking about you. Every port and shipping company in the world is there. As Commissioner Adams said, we did have a chance to visit with Wayne Darbeau, the CEO of the Port of San Diego. We didn't talk too much because we were competing for the same business in a couple of areas.

The next slide is the largest breakbulk and bulk terminal in the world. From idea to completion was two years, as Commissioner Adams said. It's truly astounding. We had a tour of it, of the control room. They gave an in-depth discussion of how they operate. It was fascinating. The next picture is some cranes that we wish we had.

We did meet with the Port of Shanghai. I can't emphasize enough the importance of that relationship. They take our relationship completely seriously. We had a wonderful luncheon with their maritime director. It was interesting that he was interrupted during lunch. They had a ship that hit a bridge. We've done that before. They couldn't have been nicer to us.

We had a gift exchange. Then after that we had a series of meetings with the China-American Chamber of Commerce, the California Office of Trade and Investment, a number of other entities.

I did get a chance to get a tour of the Shanghai international cruise terminal while I was there. Commissioner Adams mentioned that the Port of Shanghai is very interested in developing their cruise business. The terminal that I saw was their old terminal. They had developed a new international terminal outside of town that is about the size of SFO.

I took a couple of quick shots of this picture, one for our planning. Is Diane here? You'll like the next one. That egg building there is their actual terminal and that's their terminal building but on the next slide you will see adjacent to their cruise terminal is a beautiful park and open space. If they can make it happen in Shanghai, we can make it happen in San Francisco. The only difference is the fence around it is electric.

With that, I'll leave it up to Jim to talk a little bit about the rest of our trip.

Jim Maloney - This last slide is a picture of Kofi Bonner with Lennar Urban, who is the head of the Hunters Point Development Project. On the right side is Chris Marlin, he's the president of Lennar International, based out of Miami. Their marketing director is to the left of him. Min Wo, the chief operating officer for Lennar Urban here in San Francisco. Then this is Ginny Fang second from the right. She's the executive director of the Bay Area Regional Center. They helped put together Chinese investors. There's an EB-5 visa program that in exchange for a certain amount of investment, I think it's \$500,000 for a project that creates at least ten jobs, the investor is given a green card. They were able to cobble in this phase of the investment \$200 million in new investment. The investors were celebrated at this dinner event in Shanghai on Friday evening that I was fortunately invited to join. That was very exciting.

As Peter mentioned, we were there primarily for the Breakbulk China Conference which took place on Wednesday and Thursday. We had a lot of good meetings with shipping lines. We had an opportunity to uncover some new opportunities, potential opportunities. As Commissioner Adams mentioned, we developed and rekindled a lot of relationships, which are very important in this business, especially in Asia, but throughout the world.

I also wanted to highlight I had an opportunity separate from Commissioner Adams and I think Peter went off to visit the cruise terminal. I had an opportunity to have a field trip to the site of the new California Center, which is another initiative of the governor's office in addition to the California China Trade and Investment Office which just opened within the Bay Area Council's office.

The new China Center is going to be a platform, kind of a linkage or a way of connecting California businesses with China in both directions. I had a chance to talk to the new executive director and marketing director of the California Center to hear about what their ideas, what their vision is for this center.

There's going to be a lot of opportunity for us to collaborate with them and find ideas of linkages between our cities, our port, and China and the state, including ideas for new cruise excursions, cargo opportunities and foreign trade zone opportunities. That was very interesting. The ribbon cutting for that will be in May. The governor is going to have a delegation going over.

Finally we had a few meetings in Beijing that I don't know if we really highlighted. We met with COSCO Shipping Group. We rekindled a relationship with them, the largest Chinese shipping company. We also met with the China SF office, both in Shanghai and Beijing. They've been very helpful in making connections between China and San Francisco for us. They've been very good eyes and ears on the ground in China for us.

Then we also met with the U.S. Embassy in Beijing as well and had a chance to rekindle a relationship with them. Happened to be there on the same day that the new ambassador came and spoke to the staff, Ambassador Baucus from Montana. We were there when he was addressing the staff. That was very exciting to be there.

We did one additional meeting with a consulting group that does a lot of work for the China free trade zone program. He gave us a very good explanation of how their free trade zone program works, specifically the Shanghai pilot free trade program, which is going to be very interesting. It's going to be a very new transformative program for China as a whole.

Commissioner Adams - One other thing, we're going to put this new working group together as I said with the Port, with the ILWU, and Metro Stevedore. We're going to come back in 90 days to the Port Commission. We're going to put a plan together where we want to go for the next five years. We want the Port Commission to see it. We want you to embrace it, if you want to tweak it or whatever but we're all committed to growing breakbulk at Piers 80, 90 and 96 and making the most out of it. We want you to know that we're going to put something forward that you can see.

We put a lot of pressure onto Metro. We told them it was time for them to step up. Either they were in or they were out, but you've got to be all in in this process. By putting all this brainpower together and stuff like that, we're going to be able to do some things because at the end of the day, it's all about jobs.

I was impressed with the transportation system in China. Peter, Jim and I just jumped on the subway one day. We went for it. It was really great. Their subway system was really great. It was simple. It was in Chinese or Mandarin and it was also in English. It's just amazing how people move in such a city, 40, 50 million people. They're just so far ahead as far as transportation and stuff like that. I was really impressed with their transportation and their fast trains. I know they do have that bullet train and I've been on it before from Shanghai to Beijing like in five hours. I'm hoping one day we might get that train here from San Francisco to L.A. I like it. Thank you.

Commissioner Brandon - I really have nothing to report this week. I have no honors to report, no awards.

Commissioner Katz - I'm sure that will be remedied very soon.

Commissioner Brandon - But I do want to commend Commissioner Katz for being involved in the formation of the Lesbian, Gay, Bisexual, and Transgender Ports Diversity Group. That's a huge effort, and you need to be commended for being a part of it. I think it's much needed.

I also want to thank Commissioner Adams for traveling with the staff to China because he just makes such a great effort and he has so many great contacts. He's really able to help Peter and Jim and the maritime staff look for great opportunities to come to the Port of San Francisco. I am truly supportive of the maritime efforts to try to bring new business to San Francisco. Thank you very much.

Commissioner Katz - Thank you, Commissioner Adams, for representing the Port so well. We always appreciate it.

Commissioner Murphy - I want to say thanks Madam President for your great work and also to Ambassador Adams, I mean Commissioner Adams. Great job. Thanks to Peter and Jim for all their great work.

Commissioner Katz - I just also wanted to thank Peter and Jim. I know how much work goes into these meetings and these trips, but the results are really just tremendous in the opportunities for the Port. Thank you very much for doing that and spending so much time away from everything else. We appreciate it.

10. CONSENT

- A. Request authorization to accept and expend \$97,578.41 in Coastal Impact Assistance Program funds from the U.S. Fish and Wildlife Service, via the California Resources Agency for repairs to Pier 31 North Apron. (Resolution No. 14-17)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-17 was adopted.

11. FINANCE AND ADMINISTRATION

- A. Request approval of (1) the form of the Preliminary Official Statement relating to the Bonds and authorizing its distribution to potential investors; and (2) the form of the Continuing Disclosure Certificate related to the Revenue Bonds. (Resolution No. 14-18)

Elaine Forbes, Deputy Director of Finance and Administration - We are now near the final leg of our revenue bond issuance for 2014. Before I start, I want to say a special thanks to the executive director, Monique Moyer, and to John Woo, our fiscal officer who had to cover for me when I was on an unplanned absence for

several weeks. Both of them really jumped into my shoes and filled them very well. John Woo in particular spent a lot of evenings and weekends making this document come together. I was out at a pretty critical time, so I want to thank John for that.

Also here today is the rest of the finance team, who all collaborated on this document. Lawrence Brown, Nate Cruise from real estate and Marilynn Yeh from Maritime. The bond team is also here, Sean Tierney from Hawkins, who is our disclosure counsel, Bob Gamble and Christine Choi, from PFM, our financial advisors.

Commissioner Katz - We want to welcome you back and a continued speedy fully recovery.

Elaine Forbes - Thank you. I mentioned the team, but just to make the Port Commission feel very secure, we have a complete team reviewing our preliminary official statement. From our disclosure counsel, bond counsel, Jones Hall. Co-bond counsel, Schiff Hardin. The City Attorney's Office, Mark Blake in particular. Then we have our financial advisors, PFM and also Backstrom McCarley Berry and our underwriters. We have senior underwriter Siebert Brandford Shank and Stifel Nicolaus serving as co-underwriter.

The commissioners are familiar with the plan for 2014 Port revenue bond issuance. In May of last year, you saw and approved our financing plan, which gave us access to commercial paper to get going on phase two of the cruise ship terminal.

On December 12, 2013, the Port Commission approved the issuance of the bonds and several important financing documents, including the second supplement of indenture of trust. You approved and negotiated sale and the bond purchase agreement. You gave our executive director authority to enter into contract with the underwriters.

On February 11, 2014, I was here to review with you a look back at the audited financial statements for five years and our five year financial projections, which are included in the preliminary official statement.

Today, we're asking for you to approve the preliminary official statement and authorize us to distribute the document to potential investors and also to approve the form of the continuing disclosure certificate. The preliminary official statement is a document to let investors know about anything that could possibly go wrong for the Port of San Francisco and also to explain our operations and finance, our capital development strategy and risk factors. It's required by the Security and Exchange Commission. It must be accurate and complete. We will be changing the document to be the most accurate and complete right up to the date of publication.

The continuing disclosure certificate is an agreement that we make to provide key financial information annually for the life of the bonds. You'll see an attachment to the form of this continuing disclosure. You'll see that it includes many reports that are in the POS now and lists which tables we will be updating. It also lists events that we must disclose as well as notice that we should disclose any material events. This is very similar to the requirement for the 2010 revenue bonds. The Port Commission will be familiar with our continuing disclosure for those bonds.

Just to remind the commission of the proposed use of funds. Of course, there's the phase two of the James R. Herman Cruise Terminal for \$19.5 million and then Northern Waterfront Historic Piers. This is for Pier 31 and other improvements for private leasing activities, \$1.94 million. The project funds are \$21.47 million. Bond issuance cost of about \$770,000. We have a debt service reserve which we'll fund of \$1.7 million. The total anticipated uses of about \$24 million. We have a large authorization pending sale to deal with any market uncertainty.

As the commission reviews the POS, in addition to seeing a very clear summary of the Port's real estate and maritime operations, financial operations and projections, our regulatory environment, our capital plan and development strategy, you'll also see emerging the story of the Port's unique credit. We have very strong coverage, as you will see. We have very strong fiscal management policies which you guided for us, including our 15 percent reserve and our capital policy. We've made progress in meeting our capital backlog and made substantial recent investments in capital. You'll also see the strength of the economy and how it helps our assets and the position of our assets.

From then to our revenue, our revenue is a picture of growth and diversity. Commissioner Adams, you just commented on the diversity of our portfolio and the strength of that gets us through the downtimes and enhances our revenue in the uptimes. From our water dependent uses to iconic uses such as the ballpark and the Exploratorium, which none of us can imagine being any place on the water.

Just to show the commissioners coverage, this is certainly a strength that is highlighted in the preliminary official statement. We're looking at 6.74 times in 2014. We go to a low of 4.7 times in 2015. To 2018, 5.75 times coverage. This, our internal goal, is never to fall below 2 times coverage. This is just on the revenue bonds. The POS also looks at coverage with our subordinate obligations. The low there is 2.77 times in 2015. All of this to say we are not overleveraged nor do we plan to be overleveraged.

To our revenues, as you know in 2013, our operating revenues totaled \$81.5 million. The chart on the right shows our growth for the past 18 years. Port revenues have increased every single year in the past 18 years due to very strategic management intervention and good positioning of our assets. You'll also see on the chart the blue color is maritime and the red is real estate and the

green is other sources that are relative share between maritime and real estate. Real estate has remained relatively constant during that period. That's to say we're doing a good job at positioning our maritime assets as well as our real estate assets and retaining share of both types of revenue.

Also in the preliminary official statement, you will see reflected our prudent policies and strategic initiatives, which has enhanced our credit. From the capital plan approval to again the capital policy, our very close attention to selecting revenue generating projects and our bond program, to securing external sources from the city and the park's bond program, grants, other appropriations, and the successful completion recently of many notable capital projects.

We have 19 risk factors that we've disclosed on pages 17 through 80. We took a great deal of time to make sure that we were disclosing any risk that we know of or could think of. Our executive director had every member of senior staff review these risks to make sure that we documented every possible risk. Of the 19, I'm going to highlight 3. It doesn't mean they are more or less important, but they're ones I think about a lot. If I went through all 19, it would take way too long.

One is the condition of the Port's facilities. This is one that you're all very well aware of. Our assets are between 50 and 100 years old, some slightly older. Not only are they aged, but there are also unfilled tidal lands, that we have high seismic risk. It means we need to always be focused on repair of these facilities. We've also lost some revenue producing piers in our history, so it's a very serious risk to the Port that we may lose revenue producing assets.

There are certain economic factors and other constraints on Port revenues. This really is leading the potential investor to understand that we may not always have the ability to raise revenues. It's sometimes out of our control. It's expressing the legislative and regulatory framework that we operate under, which sometimes restricts our ability to achieve the highest revenue generating potential from our assets.

While we are still subject to all the same economic and competitive factors that other commercial and real estate businesses operate under, they're not in that regulatory environment and we are.

Earthquake, we obviously have two active faults, San Andreas and Hayward. We've experienced really significant earthquakes, Loma Prieta being a notable one. In April of 2008, a working group produced a report. The probability of an earthquake is high, so it's probable that we'll have an earthquake during the life of these revenue bonds.

For next steps, we will be meeting with the rating agencies on April 2 and April 8, 2014 to go over the rating, a credit presentation. The agencies will be providing a rating for this bond issuance.

We will be going to the Board of Supervisors for approval. The Board of Supervisors will also need to approve the POS. Late April and in May, we will post the POS price and sell the bonds. In early May, we'll have the negotiated sale and then we'll report back to the commission on how we did.

Commissioner Murphy - I'm okay with it. I think you dotted all the I's and crossed all the T's. It looks very good to me.

Commissioner Brandon - You did a great job with your presentation. The staff report was really thorough. I think I understood everything. I just noticed that there was one step added to the financing schedule from when we talked about this in December. That's the capital planning committee approval. Who is the capital planning committee?

Elaine Forbes - The capital planning committee is a group established some time ago through ordinance. It's a group of chapter six and other city departments. It's led by the city administrator, Naomi Kelly. It advises the board on any item related to capital. The idea behind the voter approved ordinance that set up the capital planning committee is that the city ought to be aggressively planning capital, in particular the GO bonds schedule. That all the departments need to come together and have a reviewing body to ask questions, complete cost of ownership, etc. before items related to capital go to the Board of Supervisors. I sit on the capital planning committee representing Monique Moyer.

Commissioner Adams - Clearly due diligence has been done here. I'm hoping that eventually we can get some federal funds to help with these historic piers because I know it takes a lot of revenue from the Port, but clearly you've done a great job here. Clearly we definitely need some kind of way to get some federal funding out of the harbor maintenance fund or something like that, the billions of dollars that's there, to help improve our piers, especially our historical piers.

Commissioner Brandon - I just want to commend you on the great diversity of the team that's helping you with this.

Elaine Forbes - Thank you. It's a great team.

Commissioner Katz - I also want to thank you and all of your team for the incredible work that was put into this. The members of the public that can't see, we have an unbelievable volume of material that was prepared here. It's so cogently presented. So thank you for that.

I had one question. It's not directly related per se, but I know we're certainly not overleveraged with this issuance. In terms of our ability to issue future revenue bonds, how are we positioned for that? What kind of limits would we be looking at?

Elaine Forbes - In terms of bonding capacity, our remaining bonding capacity after this issuance is about \$40 million, maybe a little bit higher. But we would be careful about a new revenue bonds issuance because the debt service would compete directly with our repair and replacement capital budget.

We would look to issue more bonds if we found a project that generated enough revenue to pay itself back. That way it wouldn't compete obviously and actually would grow to our ability to pay for the ongoing capital budget. While we have capacity, we don't quite have the budget, if that makes sense.

Commissioner Katz – Absolutely, thank you.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-18 was adopted.

Commissioner Mel Murphy left the meeting at 4:30 p.m.

12. MARITIME

- A. Request approval of Lease Number L-15786 with California Sealift Terminals, Inc., a California corporation, for vessel berthing at Pier 50 and Pier 96 for a one-year term, with nine one-year extension options, and one six-month extension option with an annual rent of approximately \$323,025. (Resolution No. 14-19)

Peter Dailey, Deputy Director of Maritime - Since 1998, the Port's been home port to cargo ships that have been under contract with U.S. Department of Transportation through their maritime administration, MARAD. You probably recognize them. If you go to AT&T ballpark and sit on the second deck and somebody hits a home run into McCovey Cove, you'll look and see those two gray ships parked at Pier 50. Those are two of the ships we're talking about today.

MARAD operates and maintains a fleet of cargo ships around the country that are used by the Department of Defense in the event of the need of a sealift of military or emergency equipment around the world. This national defense reserve fleet or ready reserve fleet, ships are berthed around the country in various ports and are managed by operators to keep the ships in readiness condition, whereby they can be full crewed and ready to load cargo within 96 hours of activation.

The company that we've partnered with since 1998 is California Sealift Terminals, which is a part of the largest independent lay berthing contractor for MARAD. Dating back to 1998, the Port has had a relationship with both California Sealift and MARAD on these ready reserve fleet ships.

We currently have three ships under contract with California Sealift Terminals, two at Pier 50 and one at Pier 96. That agreement with the federal government expires on April 15, 2014.

Having these ships in San Francisco is good for a number of reasons. A - They're ships and they're kind of cool looking. B - They're a major tenant or customer of public utilities commission. California Sealift and MARAD pays about \$700,000 a year to SFPUC for power consumption. These ships require ongoing shipyard services from hopefully BAE, our shipyard operator, which generates jobs.

As important, MARAD ships also have the capability to support emergency operation efforts in anticipation of a natural or hostile disaster. These ships, having them on the waterfront, if there was an emergency, they could provide power, water, temporary housing, bring equipment in across the bay.

MARAD has used these ships in New Orleans after Katrina. In fact, the Port of New Orleans was headquartered on one of the MARAD ships for a number of months after Katrina. In New York after Sandy, MARAD ships were vital in recovery there. One of the biggest efforts was after the earthquake in Haiti a few years back.

MARAD regularly puts the lay berthing contracts out to bid. Earlier, they put the three ships in San Francisco out to bid, but this time they opened the solicitation to the entire U.S. west coast. The three ships, the two at Pier 50, the Cape Horn and the Cape Hudson, and the third is the Chesapeake at Pier 96. As a coast wide solicitation, California Sealift and the Port, we faced increased competition from other ports, particularly in the Pacific Northwest. Pacific Northwest ports also had a cost advantage in terms of their power costs are significantly lower than the Port of San Francisco based upon the hydropower at a much lower rate than unfortunately we can offer.

Additionally, the federal budget allocation was cut significantly, making this a more competitive solicitation than we've faced in some time. Under the terms of the lease, California Sealift Terminals is responsible for all capital improvements to the piers, to the fendering, to the electrical, to the water, to the sewer, security, and dredging.

At the end, we worked through with California Sealift Terminals, the terms that in year one did reduce both our revenues. However, in subsequent years, our revenues will rise to current levels. We submitted the bid and luckily the maritime administration awarded California Sealift Terminals and the Port based upon your approval here today the contract going forward.

The terms of the agreement are in the staff report. Essentially it's ten one-year periods renewable annually by MARAD. The contractor from California Sealift Terminals is here if you have any questions that you might have.

Commissioner Adams - This is very important. I'm very supportive of this. This is something that's been good for us, having it here. Also the Maritime Administration, this is one of their duties. I know Chip, the active maritime director at MARAD, and I'll be there next week in his office talking to him about this issue and very supportive. This is something we should support. It's also good having them here in our own backyard if something was to happen and stuff like that. It's produced a lot of revenue. It's been good. It's given our area here a lot of stability. I'd ask the commissioners to support this.

Commissioner Brandon - Why does the rent decrease in the first year?

Peter Dailey - We calculated a rent package that would be attractive to MARAD in year one trying to kind of bait them into taking the entire ten-year term, quite frankly. We were buying a little market share early on. The rates would go up in the subsequent years. We were faced with about a 40 percent differential in terms of power costs in year one compared to the ports up in the northwest that were competing with us.

So to answer your question, it was basically competitive pricing. We wanted to make sure we didn't lose these ships. We knew we were going to be undercut up north, so that's what we did.

Commissioner Brandon - Thank you.

Commissioner Katz - I had one question in terms of any ability to either move any of these ships to a different location or through changing circumstances. Please talk about that a little bit.

Peter Dailey - Essentially the contractor's responsible for fendering and shore side power and dredging at the berth. This has happened in the past where we've had ships from MARAD and there has been a need to move them to different berths. We would need to supply the contractor and MARAD with a like berth at a different location. As long as it's comparable, MARAD will show much flexibility, but we need to have the home from them over the ten year period.

Commissioner Katz - We're probably lucky to have these ships based here. Hopefully we'll never have to need them, but I think we probably all feel better that they're here. Thank you very much.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-19 was adopted.

13. PLANNING AND DEVELOPMENT

- A. Informational presentation on Pilot Transportation Improvement Projects identified as part of a Waterfront Transportation Assessment by the San Francisco Municipal Transportation Agency.

Diane Oshima, Planning and Development division – I'm here to introduce you to this briefing from the San Francisco Municipal Transportation Agency on the waterfront transportation assessment.

Last year, there was an introductory briefing of a comprehensive assessment that is being led by SFMTA with the whole city family involved on doing integrative transportation planning between handling all of the existing uses and the projected growth and using that to incorporate into prioritizing and identifying strategic transportation improvements for the waterfront area.

I'd like to give credit to Peter Albert and his team that he's led on the overall waterfront transportation effort. Today Erin Miller from SFMTA staff will be taking you through a bit of that background context as it gives rise to some pilot transportation projects that MTA will be carrying out in the South Beach area. That grows from a number of different transportation solution strategies that have already been identified. Now we want to test it on the ground to see what their effectiveness is.

She is focusing on one important element of that testing program. There is another transportation analysis piece of the testing program that Erin will speak to that is being conducted by the transportation authority as well.

Erin Miller, project manager and transportation planner with the SFMTA's urban planning initiatives group - I'm here with my colleague Peter Albert and also my colleague Diane and all of my other colleagues from the Port I see here today.

As Diane mentioned, I'd like to start with a brief overview and reminder, in case you aren't familiar with the whole waterfront assessment because it's a planning effort that's been underway for over a year now. It's an important overview because it helps to give a little bit of context to these two very precise pilot projects that I'm going to be talking about in a moment.

The planning area extends along the whole bay side waterfront of the city from Fort Mason to Candlestick Point. In the planning analysis that we're doing, we are taking into account all of the development that has been anticipated through 2040. In addition to that, new developments that I'm sure you're very familiar with are underway. Those weren't initially anticipated in a lot of the planning and transportation planning that's been done.

We're taking a step back. We see this as an opportunity to undertake a strategic transportation planning effort that will result in the identification, evaluation, and prioritization of key transportation improvements to support the future of the waterfront and its unique transportation conditions.

I'm going to go over four steps of phase one of the waterfront assessment. Phase one began in late 2012. We initiated the process by reviewing a multitude of existing goals, objectives, and policies that have been developed through years of planning throughout for the city. With that, we were able to focus on

goals that remain relevant and meaningful to waterfront transportation. We were able to honor this rich planning heritage of our city without starting all over again.

We hosted and participated in a very large number of community and stakeholder meetings to better understand transportation concerns and challenges from the experiential perspective of folks on the ground.

We began to look at the pipeline. If you're familiar with the development pipeline in the city, they take a look out to 2040 of what they're anticipating in terms of housing, growth, jobs. We created a transportation pipeline to go next to that because what we wanted to ask is are the transportation projects that we know are coming are coming in time for the development that we anticipate. That's a very important question. It's been largely effective in helping us evaluate and develop some of the strategies we've been working on.

With the goals identified, the stakeholder input, and the understanding of where those future gaps in the transportation network exist, we developed this long list of strategies. We have about 130. If you've seen the draft waterfront transportation assessment plan that was published last July, you would be able to look at that list in the back of that plan.

That was the end of phase one. We're in phase two now. Phase one wrapped up at the end of last year. Phase one was the identification of goals and strategies. Phase two, as Diane mentioned, is the solutions analysis phase.

Why are we doing these pilots? A consistent message that we've been hearing throughout the planning process is we have too many transportation problems right now. How are you going to fix them? We can't wait until 2015. We can't wait until 2020. We certainly can't wait until 2040.

In looking at this phase two process where we're analyzing these strategies, we started conceiving of it as two pieces. Liz Brisson, who couldn't be here today, is the project manager at the San Francisco County Transportation Authority. They are looking at the longer term corridor wide transportation solutions that may come out of some of these strategies. We took a little bit of a closer look to see if there were any projects that we could look at implementing now in the near term.

There are two pilots that I'm going to talk about. The first one is what we're calling Beale Street Circulation. I'm going to just give a very brief overview of these and let you talk and ask questions to better understand them. We're very early in the initiation of both pilots right now, so this should give you an idea.

Pictures say 1000 words. This is a snapshot looking at Beale Street with the southbound traffic approaching Bryant Street during peak period on their way to the car pool lane on Bryant that leads to the bridge.

What I just wanted to point out is the way Beale Street is organized. There are two lanes, one southbound and one northbound. During these peak periods, the

queue on the southbound lane is getting very long. As you can see, the local traffic, which is the traffic that just wants to get through the intersection, turn right or left, right onto Delancey Street or left onto Bryant Street are popping out into the oncoming traffic in the northbound direction.

I don't know that we've had any collisions at this point, but it's dangerous. It's also very inconvenient for the residents of the area. What we wanted to look at is can we do some simple restriping in this pretty wide street to test if an additional southbound lane that would allow an extra movement during those peak periods would help to organize the traffic movements and improve pedestrian safety, local access, people's access to their driveway and so forth.

The stage we are in with these pilots right now is developing the metrics that we will use to evaluate them with. We want to make sure that we are precise in how we measure them because what we want to know is are they projects that should be implemented for full time after the pilot or are they something that doesn't work.

The second pilot is Intersection Enforcement. If you've ever driven through South of Market during peak period, you might know what we're talking about. What we're looking at is the effectiveness of working together, the MTA and the SFPD working together to enforce movement through the intersections 'cause right now we're having all of these blocked boxes.

This is actually a photograph of an accident. The cars can't get through. The transit can't get through. All of the modes get backed up. It just emphasizes and aggravates the congestion that's already a real part of this.

The MTA PCOs are not able to give moving citations, so the work that they're doing right now in enforcing traffic in that area is just moving traffic, blocking cars so pedestrians can cross. They're not doing anything that we think is leading to any kind of effective change of behavior. We want to work with the PD to have their presence there.

We're going to start exercising one thing that we can do, which is issue citations for parking tickets for those cars in the middle of the intersection. These are some of the intersections that we're looking at. This diagram is a summary of a lot of things that we've heard.

The purple dots came from a letter from the South Beach, Rincon Mission Bay Neighborhood Association that was delivered to Supervisor Kim in November 2013. Those are all of the intersections that they think need to have PCOs in them all the time.

We had a meeting with the transportation subcommittee from the Warriors CAC on February 19, 2014. The yellow intersections are the intersections that arose as very important to them during that meeting. We took that information back to

our agency and worked with our enforcement division to understand where we might best add new enforcement to three or four intersections to test this pilot.

In the same status, we are developing measurements for testing the pilot. We're now working very closely with our colleagues at the MTA who implement pilots often to help us design that. We'll be coming back to the community on April 30, 2014 to talk a little bit more.

This is just sort of an overview of the different steps that we're going through. We're in this task one right now. We're planning on, before the pilot begins, a one to two weeks monitoring and collecting some data that we'll have to compare to the final outcome of the pilot. Then we're anticipating the pilots four to six weeks. We're going to design that as we move a little bit further along with the metrics. Finally, analyzing the pilot data to recommend for or against operation as a permanent project program.

This is an overall timeline of the waterfront assessment. Phase one is complete. Phase two is anticipated to run through the summer. One of the important benchmarks that we're coordinating with is the delivery of the DEIR for the Warriors project. I think they're anticipating August right now.

In phase two, we're looking at those two pieces. The longer bar below the big arrow represents the work that the SFCTA is leading. They're going to be doing a more in-depth needs assessment of the transportation network here and the regional network to understand how the future growth and the very big picture is going to be causing demand that we need to meet. Where we are right now in that red line, developing the pilots and then we'll implement those and hopefully be done with everything around June.

Corinne Woods - I serve on the arena CAC and so have been involved in the process of this transportation assessment. When we started, we thought let's just figure out what would happen with new buildings, new construction, new projects. What we learned is that we're already in a hole with existing conditions and not the big projects, but just the growth that's happening on the eastern side of town. We're very grateful that both SFMTA and the transportation authority have grasped that we can't go forward until we figure out where we are now and that we do have a backlog. These two pilot projects are a good start because the commute does not move heading to the Bay Bridge in the afternoon. It doesn't matter whether there's a ballgame on or not. Finding short-term interim solutions while the long range planning is going on is really critical. When you see the DEIR in August, we're hoping that we have gotten a lot further than that and that we can actually fund the mitigations that are going to be necessary to deal with the growth that the Port is hoping to see on the eastern waterfront because we can make all kinds of fancy plans. I've been there with Mission Bay. Unless we actually figure out how to fund the plans, it's going to be a mess. We don't want to end up even further behind than we are now.

Commissioner Adams - I wanted to thank you and Peter. This is tough. I really appreciate your taking this thing head-on. It's like driving 90 miles in the middle of a typhoon going right into it and that's what you're doing. No matter what you do, people are going to complain but I like the vision here and this is thinking out of the box.

I run in that neighborhood. I've run down Beale Street. I've seen the construction there with that building right across from those apartments down 388 Beale. I went by that dog park down there. I've tried to cross the street going down to Delancey Street. You guys are trying to do something. I really appreciate it.

Last year Supervisor Wiener came down. We gave him a tour of the Port. One of his biggest things that he talked about was the transportation and the congestion here and how to deal with it. It was very important to him and he was trying to get his head around it. He thought you guys were doing the best that you could, but he said, "Willie, we've got to do something." He says all this is happening. It's like we're growing so fast and expanding. How do you figure it out? It's like a trial and error.

I appreciate this. I think these pilot programs are a good approach. I look at this as being a good problem. San Francisco is really growing. We're coming into our own. There are other problems you could have but this is a good problem. With the growth and the people coming here, we're just a world class city. We have a little bit of everything here. I'm happy with this.

We just got to figure out how we do it because we're a small city. We have to figure out how to make it more compact and more efficient. It makes us more aware of how to do things. Maybe getting some of these cars off the roads and other things. I appreciate you being more creative but it's just something you guys can't do. The citizens and everybody here, we all got to pitch in to try to make this city more efficient. We've got to help. You have my support on the commission because we've got to do something. We have a great city. I see a way that it can happen, that things will run efficient and it will be a win-win for everybody. Thank you.

Commissioner Katz - Thank you all very much for this. I don't think we need to put too fine a point on it that it's very needed.

Commissioner Brandon - Thank you very much for the report. I think Corinne was right, that there are things that need to be looked at now. I drive the Embarcadero every day. Sometimes it takes me 20 minutes just to get from AT&T Park to the Ferry Building. It's not because of traffic. It's the signaling. It's other things. I'm hoping that within your study, you're looking at the Embarcadero and the surrounding areas along with Beale Street and the circulation throughout.

Erin Miller - We absolutely are. There's a lot of focus on the Embarcadero, especially between the subway and the Giants and the Caltrain station but also

all the way along down Third Street. We've got growth coming all over the city. I think one of the great opportunities with all of the new development coming, even though we don't have some of the transportation we needed for some of the development that's already on its way, is the chance to open up and create this cooperative planning effort with the Port and MTA and the planning department and the mayor's office and our development partners. I see a few of them around today as well.

It's a great opportunity to inform some of the decisions that are made before the final thing is signed. We're helping the developers to refine their transportation management plans and develop some of their key transportation and management strategies. We're helping to assess the value of a given transportation improvement and how it benefits across the city, across the developers. When we start working on our development agreements with folks that will inform that process. It's been a really difficult and challenging process, but it is a very important undertaking.

Commissioner Katz - I want to say thank you. You've probably heard me say over and over again how important this is. A couple of questions I had somewhat about specifics. If you see demonstrable results fairly quickly, that it will continue even as further assessment is going forward. Is that correct?

Erin Miller - We would make the recommendation to continue with that.

Peter Albert from MTA - I'm working closely with Erin. One of the points Erin's made before is helpful. The pilots are looking at a manageable of intersections for testing things out. We can extrapolate the results to numerous intersections. We've also talked with the community about an intersection with transit, an intersection where pedestrian volumes are high, and an intersection where the Bay Bridge line is affecting traffic. Being smart about the ones we test means we can extrapolate what we learned from that one to six or seven other intersections. That's one of the reasons why we go small with the pilot, but big with our vision.

Commissioner Katz - What I was getting at is assuming things are as planned, it's not going to be scrapped while we look at a broader program. It will only be expanded assuming all goes well. In terms of bicycles lanes and looking at that, I know there's been a number of thought into possible ways of modifying our bike lanes much as is often done in Europe, for example, where lanes are shifted. We now have some of these out in Golden Gate Park where you have the bicycle lanes between essentially the sidewalk and the parked cars rather than the parked cars to the moving cars. Has any thought been given to how that would work in some of this downtown area, particularly with the number of accidents we've been having?

Erin Miller - Absolutely. We're looking at everything from a pretty high level, but we're working with all of the divisions in our agency. We're working very closely with our bicycle and pedestrian folks and livable streets. The bike people are

coming here to talk a little bit about the planning that is just underway for the Embarcadero bike lane study.

Diane Oshima - We are scheduling an informational presentation. On your advanced calendar, it shows under the first May meeting, but I believe that there's a request to move it to the second May meeting. The Embarcadero enhancement project was about addressing how to create safer bike access along the Embarcadero.

Commissioner Katz - Thank you. Lastly, many years ago in sort of the first boom in the South of Market area with an influx of workers, we modified some of MTA's, then Muni's transit lines and added a new line essentially for the South of Market area. Has there been any thought given to looking at reconfiguring or moving or adding any new lines from Muni in this as well or is that not part of the study?

Peter Albert - As Erin indicated, we work closely with divisions. The Transit Effectiveness Project (TEP) is that Muni effort that's sort of refreshed the whole Muni network for the first time in a generation. They're just now on the cusp of certifying their environmental. We've used our information for the waterfront assessment, including the community outreach, to help rethink the very network in the waterfront area. They've given the push of this new Transit Effectiveness Project to jumpstart some of the challenges.

Corinne Woods, for instance, has made the point about the 22 Fillmore. I believe that not just because of her advocacy or the waterfront assessment that things are jumping out a lot faster. The extension of the 22 out to Third Street was languishing in terms of how to solve some of the technology. We're beyond that. It's a pilot that we'll see as a shuttle between the BART station and the Metro station in the Mission all the way out to Third Street in part because of our work with TEP and the waterfront assessment.

Commissioner Adams - Erin, you or Peter can answer this. What is the rate that the congestion is growing in our city? Do you and Peter expect to level off or are we going to be over a million people? I think we're at 800,000 now and eventually we'll level off, but what is your projection?

Peter Albert - What we have actually now is some real good analysis to back up. It's not just projections that we have to guess at. Liz Brisson from the San Francisco County Transportation Authority would have been here today. She had a pretty bad sore throat. She's working on that second phase. Erin showed we did the pilots after phase one and then the analysis. She's getting at the capacity and the throughput and the real constraints of the street network and the transit network, both local and regional networks, including the highways and the ramps.

She'd love to come and do a presentation to show you the hard data that she's getting from this analysis that can show you what we're projecting for growth,

where congestion gets bad, what happens when congestion gets so much that people actually give up on driving and shift into another mode and how it's our responsibility to make sure that other mode is attractive, has accommodation capacity. Otherwise, people have gridlock.

I would like to recommend that we come back to the Port and give an update with Liz Brisson about all of those findings from her analysis.

Commissioner Katz - We can put that on our new business items to have that scheduled. Thank you to all the team for presenting this and going forward with it. We're excited to hear how it turns out.

- B. Request approval to amend contract with AECOM for additional services and added fee to: a) expand Task 2 - Schematic Design and Prepare a Revised Project Cost Estimate, from the \$238,672 previously approved to an amount not to exceed \$803,266; b) proceed with Task 3 - Detail Design, Construction Drawings/ Bid documents and prepare revised Cost Project Estimates for a fee of \$856,074; c) Task 4 - Construction Administration tasks for a fee not to exceed \$216,791; d) augment the contract contingency amount by an additional \$187,613 for a total contract amount not to exceed \$2,609,396 (including the already completed Task 1); and e) extend the duration of the contract from December 31, 2014 to December 31, 2017. (Resolution No. 14-20)

David Beaupre, Planning and Development - Crane Cove Park is a long plan park within the Pier 70's northern shoreline area. It was identified first in the Waterfront Land Use Plan and also called out in the Eastern Neighborhood's Plan, the Pier 70 plan, and the Blue Greenway planning.

The funding for the park has primarily come from the 2008 and 2012 parks bond funding sources. The original authorization to authorize the amended contract was anticipated when the Port Commission approved the authorization to advertise the Requests For Proposals in December 2010 and when it was approved by the Port Commission during authorization of June 2011 when planning was underway for the 2012 Parks Bond.

When the original request for proposals was released, the total project budget for Crane Cove Park was approximately \$10 million from the 2008 bond. During that approval process through the recommendation of the Civil Service Commission approval, we were allowed to award the project in two phases. Each of those two phases had two tasks.

The first task was to prepare a park master plan, cost estimate, and phasing plan. We completed that in December of 2013. The second task was to develop schematic plans and revise cost estimates for an area identified as a first phase of construction. That work is now underway.

Phase two is to proceed forward with detailed design construction drawings and bid documents and revise cost estimates and task four construction administration support of the construction portions of the project.

When we awarded the original contract in July of 2011, there was an opportunity the DPW staff could perform the phase two work. In consultation with the Department of Public Works, they and the Port agreed that moving forward with the AECOM team was the most efficient manner to move forward, particularly as it relates to delivering the park in a timely manner and because of the multidisciplinary team required to support the complex project.

Since the 2011 authorization, the 2012 bond passed. The Port secured additional grant funds and capital funds. The total project budget has increased to \$24.5 million, thus the need to increase the schematic design fee as a part of the original phase one.

With the increased total project budget, we're able to deliver more park, which was a benefit to the community and the Port. Additionally, tasks that we typically complete in the detail design phase of the project was moved forward into the schematic design process, so there's geotechnical borings and analysis and coastal engineering work that rather than waiting to go into the detail design, we felt that information would help us keep the project costs intact and the budget for the total project in control.

Additionally, with the original \$10 million budget, we didn't think we'd have the opportunity to touch any of the historic buildings within the park area. Now with the increased budget, we'll have the opportunity to treat some of the historic buildings, also increasing the fee within the schematic design.

This slide shows the original budget back in 2010 with just the \$10 million from the 2008 GO bond and the various budgets and fees for each of the tasks. This authorization in 2014 where the total project budget is at \$24.5 million. The task one fee stayed the same. The task two fee went up, again to address the larger park area and schematic needs. Task three and task four were based on the new budget.

The park master plan, which was reviewed with the Port Commission in the September meetings, includes a multipurpose green. Restoration of slipway four. A new shoreline park area to the north just behind the Ramp Restaurant and a park interpretation about not only the park but Pier 70 in its whole.

The consultant team of AECOM includes four certified LBE subconsultants. The goal outlined in the request for proposals was 19 percent. Through the task one park master planning, the AECOM team retained a 34 percent participation by LBE subconsultants. We anticipate maintaining that same level of participation in the phase two tasks to expand three and four.

The next steps upon your approval are to seek the Civil Service Commission's approval at their April 28, 2014 meeting, execute the contract, and proceed with the work. Steven Reel and Elaine Forbes have both helped me in getting to this point on the contract. Jacinta McCann, a principal with AECOM, Yunsoo Kim, a project manager are in attendance. We're all able to respond to any questions.

Ana Vasudeo, San Francisco Parks Alliance – I wanted to speak in favor of this project. We've been watching it really closely. The Parks Alliance is a park advocacy and philanthropy organization that helps renovate many of the parks in the city. We also have been managing the community engagement aspect of the Blue Greenway program for over ten years. The Port has been a very strong partner in that. The Port is our primary partner in the implementation of the Blue Greenway.

This project is very exciting for us for many reasons. One, we're really excited by just the amount of community engagement that the Port has done to the eastern neighborhoods. We have participated in many of those meetings. We are also impressed with the variety of the recreation programs that will be available in the design. The Port thought about the programming for the site very thoughtfully, so we're really excited about that.

Lastly, the total amount of park space is something that's really exciting for us because we know that the eastern neighborhoods are growing. There's lots of families moving in. These spaces will be well utilized. I'm here to support the project and look forward to the construction of the project. There are a lot of people, particularly the park advocates in our network that are excited about it and looking forward to seeing this park be built.

Commissioner Katz - Thank you for the Parks Alliance's continued efforts in this.

Corinne Woods, member of the Central Waterfront Advisory Group, formerly with the Neighborhood Parks Council before it became the Parks Alliance working on the Blue Greenway - This is a very important park for the city as well as the Port. It's also an important catalyst for the historic restoration of the 20th Street historic buildings. We need to keep it moving, to get it done and open to the public as soon as we possibly can. As Ana said, eastern neighborhoods, when it was rezoned for a lot of mixed use from industrial, really didn't include much parks or open space. The Port has been tasked with providing that open space.

The participation of the Dogpatch and Potrero Hill community and all the new neighbors along Third Street has been very informative because the support for this project, the support for this park has been overwhelming. I can't tell you how many meetings we've had on this, but they've all been very well attended.

We've evolved the design over time, and AECOM has been very responsive to the community's input about what should go where and also very responsive to the waterfront design advisory group's comments and to the BCDC comments

about this. It doesn't look exactly like it did when we started, but we are very pleased to see the evolution. We're pleased to see that there's money from both 2008 and 2012 bonds so that we can move forward. We urge your support.

Commissioner Brandon - David, thank you so much for this report. Congratulations on finding the funding to make this happen. This is going to be a great addition to the southern waterfront. I know that a lot of people are looking forward to this happening. Can you tell me a little bit about the project team?

David Beaupre - The AECOM team includes Architectural Resource Group. AGS engineers, who are an LBE and have a significant role. They're doing a structural, mechanical, and geotechnical analysis.

Commissioner Brandon - What type of LBE?

Steven Reel, Engineering - I believe there's only one type of LBE, actually, certified LBE by the HRC.

Commissioner Brandon - I'm trying to get more specific in the project team and the diversity in the team since that's the word of the day, diversity. I just want to make sure that with this project, there is inclusion from all groups if possible. My issue is that I'm not sure that I want to triple a contract if there's not a lot of diversity in the LBE group.

I need to be comfortable with making sure that the money is being used and everybody is participating, especially since we now have this new alliance with the minority chambers. The fact that we haven't given outreach to them, that this project is happening. I'm just trying to get comfortable with the team.

David Beaupre - I appreciate that and respect that.

Commissioner Brandon - I want to make sure it's well diverse.

David Beaupre - I'll try to explain the teams as best I understand. Again, the LBE goal was 19 percent. They're performing at about 34 percent.

Commissioner Brandon - Which is phenomenal.

David Beaupre - We plan on continuing that. AGS Engineers is primarily Asian owned local business. We have Ajmani & Pamidi, which are electrical engineers. They play a relatively minor role. I'm not certain what kind of ownership exists with that business. We have Kate Keating and Associates, which is a women owned minority business. We have Martin Lee, who is doing the cost estimating; they're an Asian owned minority business.

Commissioner Brandon - I'm not quite sure I'm comfortable with tripling this contract with no Hispanic or African American inclusion in this area. As Corinne

said, this is in a heavy industrial area surrounded by a lot of diversity. I want to make sure that we're trying our hardest to have inclusion from all groups.

David Beaupre - I don't know if Jacinta or someone from AECOM may want to try to answer your question or address that.

Yunsoo Kim, the Crane Cove project manager - When we assembled the project team, we tried to get a lot of LBE participation. We look at who's capable of doing this very complex project. Those are our main goals. We try to include many diversification of different groups.

It appears from the surface that who owns this company of our subconsultants are Asian owned and women owned. There could be participation from other ethnic groups within the firm, but it appears on the surface that we don't currently have a Hispanic owned and African American owned firms in the firm but we can look into that.

Commissioner Brandon - I would really appreciate it if you look into it. If we're going to assign these two additional tasks, I think there are opportunities to bring in other subconsultants. I'm not quite sure how to move forward with this, but I do want some type of assurances that if we're tripling this contract, there will be opportunities for others also.

Jacinta McCann - Maybe I could just add one more detail. This is Jacinta McCann with AECOM. Although this is not to your point exactly, but inside our team, the senior designer who is in contact with the community all the time, is Hispanic. We also have our African American head of architecture in our San Francisco office, Alison Williams, who is providing design review into the project. This is not subconsultants, but we have sought as diverse as possible a team inside our group. We will certainly speak to our LBE consultants and encourage them to have as diverse a team as possible on the project.

Commissioner Brandon - I really appreciate that. I do hope that the subcontracting can be a little more diverse but I'm glad that you do have representation within your firm.

Commissioner Katz - To put a point on that, and it's constraints I think that we all have by law that may not necessarily have been what the city would have anticipated or had previously, but one of the constraints with an LBE certification is it really does not distinguish amongst the diversity of the LBE businesses. We certainly appreciate the project exceeding the minimum LBE participation, but it's something that we're looking at regularly that even though various different contracts meet the LBE requirements, trying to achieve that added diversity to reflect the communities that we are in and that work with it outside the Port.

This is more of a general statement, not directed at all to AECOM, but I know we have other contractors in the audience and developers. It's something that we certainly have been trying to work on at the Port. That's one of the things that

Commissioner Brandon and Commissioner Adams have instituted is outreach to a lot of the minority Chamber of Commerces to provide added information as to what opportunities may be available for contracting. So that's one of the things we've been focusing on. That's the nexus of this line of questioning and issues raised. Just to raise that point just a bit.

Elaine Forbes - I'm just jumping up to add my two cents. You are right, President Katz. The LBE ordinance doesn't look toward MBE/WBE. The old ordinance looked at women-owned and minority-owned businesses and had specific goals for those types of businesses. But post Prop 209, the city amended its ordinance to be local small business.

However, the Contract Monitoring Division (CMD) does track minority and women ownership. We can also report to the commission how we're doing in that regard. The commission is also able to set goals. We just can't use those goals in the award of contract or in the bid discount that the CMD uses when they do the scoring for the competitive procurement process.

One issue is that AECOM was selected following a competitive procurement process. When we entered into contract, the additional scope was included subject to Port Commission approval. So the team did compete competitively for the first set of contracts. Hopefully that clarifies the issue a bit.

Commissioner Adams - I think what Commissioner Brandon is saying here is that it seems like at times that the African American community or African American community contractors or whatever, they don't get a fair shot. I think what she's saying, that the Port just says we talked about diversity and how diverse the Port is and then when you see a lot of the contracts, the African American community's left out. But also I'm saying they have to be qualified. I think that that's important. I think that's what Kim is saying. I know sometimes people get uncomfortable talking about those things. I don't have a problem talking about it. Those kinds of things need to be talked about. When people shake in their boots, when people start talking about color and race, this is a part of our society. Sometimes things need to really be talked about. I think that's what Commissioner Brandon and Commissioner Katz are talking about. We would like to see an equal playing field for whoever as long as they're qualified. But sometimes they don't go out. If you're not in a network or people don't know who you are, you don't get a fair shot. What they're saying is that as commissioners, we represent every citizen in San Francisco no matter what color they are, what their background is. That's our job to make sure that everybody gets a fair shake. If these issues come up, we're going to discuss it. If you feel uncomfortable, so be it. We're going to talk about it.

Commissioner Katz - Thank you, Commissioners. To follow up on Elaine's offer, that might be one way of looking at it is to see if we can ensure that we are doing as best we can. You're right. What I was alluding to was the old MBE/WBE. We're not necessarily having a perfect system to achieve the

diversity that we might like to see in that but to the extent we can track it, that would be good.

Elaine Forbes - Yes. We can include that in our quarterly contracting report. How we're doing on LBEs and then we'll include an attachment that shows our minority owned and women owned participation as well. The contracting monitoring division does track that information. We also have it, so we'll be happy to report. In some instances, firms decline to state, so we won't be able to give you that information.

Also to Commissioner Adams' point, we are doing a lot of work internally about outreach. You've talked about our alliance with the chamber and looking at getting those opportunities posted and out and discussed very early so everyone's very aware of the opportunity and they know what's required to compete and to form teams to compete. We see that getting the word out and networking so everyone knows about these opportunities so that we can get the participation and the diversity that the commission seeks.

Commissioner Katz - As a corollary to that, I know word gets out to the certified LBEs. That's why as part of our outreach efforts to encourage as many firms as possible to sign up and be certified as LBEs because that will expand the diversity of our pool. That's where a lot of the notification goes out.

Commissioner Brandon - Also the minority does not have to be an LBE to be a part of the team. I think all around, we just need to do a better job.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-20 was adopted.

C. Informational presentation regarding Forest City Development California, Inc.'s Waterfront Parks Concept Design for the Pier 70 Waterfront Site.

Byron Rhett, Deputy Director of Planning and Development - As you saw in your staff report and as you know, we've been working with Forest City Development for the last three years or so, since 2011 since we entered into an exclusive negotiations agreement. A lot of the time has been spent on negotiating the business terms of our relationship that will lead to eventual disposition agreement and lease. You approved those terms the end of last year. At the same time, we've been working on the design of the project. You saw a presentation that spoke to the mixed use developments that Forest City is considering. Commercial development, maker uses, residential.

They also have a team that's focused on the public realm and parks and open space. The last item was about Crane Cove Park, a park that the city is developing through its Port that will jump start development at Pier 70. Forest City Development is also developing or designing a major park and public realm improvements in the southern portion of Pier 70 on their 28 acres.

They're here to make a presentation on who their design team is and the involvement of James Corner's Field Operations. In particular the designer that designed the High Line in New York, a very successful and popular open space improvement there. We're excited about what ideas they have for Pier 70 and San Francisco. With that brief introduction, I want to ask Jack Sylvan, who's the project director for Forest City to introduce his team and take us through their ideas for public realm on the waterfront site.

Jack Sylvan - It's my pleasure to walk you through some of the evolution that's coming out of our design team in terms of the opportunity to create a new network of waterfront parks, playgrounds, and recreation opportunities on the waterfront site portion of Pier 70. Everything that you'll see in terms of the concepts has come out of the seven years of community outreach and planning that was initiated by the Port through their three year master planning process and then picked up by us over the last two and a half, three years.

What you'll actually see came out of the input and feedback and in particular we've had the benefit of many ways of communicating and seeking input from the community, including some of the special events that we've had that have really enabled thousands of people to be able to interact with the future opportunity out here.

The framework for this park's concept is the Land Use Plan that came out of that planning process that was embedded in the term sheet that was endorsed unanimously by you all, by the Board of Supervisors last year. It came out of the work that was done with the city family team, including the Port staff, the planning department, and all the other agencies that were involved. That had a mix of office uses, residential uses, what we call creative uses, which is local retail, small scale local manufacturing, arts and cultural uses, and then of course bound together by the waterfront parks network.

In particular, we're focused on how that ground floor, what's happening in the buildings, connects to the parks in a way that actually activates those open spaces so that it becomes the lively post-industrial environment that we heard folks saying throughout the process that they were looking to see at Pier 70.

On the upper floors, the office and residential are the revenue generating uses that support the large infrastructure costs that are needed and the public benefits program that comes out of this.

As a starting point, when you look at the waterfront in San Francisco, there's an opportunity to distinguish Pier 70 because of its character, its former industrial use, its current industrial use, its history. It asks for a unique character of open space for the San Francisco waterfront, one that reflects the industry, the local communities surrounding the site, and has a historic texture. Something you find when you walk around the site are these moments where you come upon this nook and you see this view. You have this moment of discovery surprise that is something that should be maintained and brought forward in the open space

plan. There happens to be this magnificent view in most directions that San Franciscans today can't actually get to. We have an opportunity to uncover that view, particularly looking north at the ship repair, the bridge downtown.

We can actually rediscover the history of the site, the buildings, the rail lines, the crane ways, and the cranes. When you look in between these spaces, what you see is this network of spaces that were used for multipurpose. It becomes for us the framework for thinking about how to create that network of waterfront parks. Rather than being one singular space, it being a mosaic of unique spaces that are linked to the buildings that are adjacent to them, that activate the historic structures and create experiences within Pier 70 that will have different character that includes areas for relaxing. It includes places to play for families, for children, space for markets and changing uses and festivals. Obviously there's an opportunity for dining, food, cafes, recreation, something that's needed in this part of the city. We think there's an opportunity for that here as well. Obviously art is something that can make a place alive.

Something that really distinguishes Pier 70 is its history. There's this opportunity to bring in from Pier 70's history these artifacts that are sprinkled around the site. And then there are these moments where we can create these views that exist today, but it's almost uncovering what already exists.

I want to talk about five or six distinct areas in the overall nine acres of parks that we're talking about here. One way for us to think about these spaces in terms of scale rather than talking about acres or feet is to give comparisons to local San Francisco examples to give us a sense of not necessarily even the program or the feel, but how big they are.

In some ways, we're talking about a combination of the picnic area of Crissy Field. South Park, the area around the Ferry building, the Dolores Park playground and the Rincon Park part of the Embarcadero in front of Epic Roast House.

In the northern part of the waterfront adjacent to building six, which is just to the north, is this area that is about half the size of the Crissy Field picnic area and for us becomes the place that is probably the most green where you have lounging and leisure. There's a lawn area, potentially some temporary recreation. It's a good long stretch where the Bay Trail and the Blue Greenway meets the water.

On the right is building six, which is sort of the edge of the site. You can see the Potrero power plant in the background of this site. This is the first place where you see something that we're really excited about, which is a bold statement that are these viewing platforms that are almost contemporary structures that reflect historic recycling of materials on the site.

There are three of these located along the waterfront that are focal points as you come out to the water. They can be made from materials that already exist today

at Pier 70 or that take on that feel and character, the sort of weathered, rusted steel and frame these amazing views that exist from the site today that people can't quite get to. This is the view from this viewing platform that's adjacent to building six. That's looking at that large dry dock at the BAE site. This is what that would look like at night. It's pretty amazing.

This is the viewing platform that's further south where the crane ways start to slide out into the bay. It's looking north at BAE, but you see behind the Bay Bridge and you can get a peek at downtown San Francisco as well. Lastly, at the end of 22nd Street, the view looking across the bay to the East Bay Hills.

As we move south along the waterfront, we get to this area that we're calling the waterfront promenade which you can see in the scale dimension on the upper right, it's about a half to two-thirds wider than that area between Epic Roast House and Water Bar and the seawall there. It's a really generous area where we'll have outdoor café seating with oversize furnishing. There's areas that we think are going to be great for fishing.

Obviously, the promenade, you'll have the Bay Trail, cyclists, and pedestrians as they move around the waterfront. These crane ways that stick out into the bay that become a place for people to sit on the water and take in the view and relax, a potential for a special place.

In the center of the site and what connects the water to the historic buildings is what we're calling the slipway. It's the place where on the north side we have the concept of this building that is new construction but houses potential the Noonan tenants, small scale manufacturing, potentially an indoor/outdoor performance venue. The scale of this is like South Park. The difference is that this won't actually have streets between the park and the buildings. The building will actually open up right into the park.

In Philadelphia, we found this great example of this area that's adjacent to an old brewery where they built new residential. They have in this plaza a series of events throughout the year that include music and yoga and fairs and farmer's markets. That's the kind of thing that we're excited about having the opportunity to do out here and art installations, potentially a beer garden. Looking in towards the site, you can see the brown building in the back which is building 12. Here's where we want the design to be beautiful and elegant and simple so that when it's on a quiet day, it actually stands on its own design. It reflects the gritty, industrial character of Pier 70, but it also has the ability to have events.

This is what a smaller event would look like, potentially an outdoor movie. Here's what a larger event might look like that's spilling into and out of this building. A precedent that we found that we're probably not going to be focused on the black tie events, but there's a music venue where people don't have to be inside to be part of the experience.

Here's a view looking from the water. You're looking into the park. You see building 12 in the background and building 2. Here's a view looking back out the other direction.

The next space is the area around building 12. Building 12 is this beautiful old weathered steel building where we think at the heart of the site is a market hall with the types of small scale manufacturers inhabiting the space where they're both making, but they also have a small retail frontage. The scale comparison is that area in front of the Ferry Building, which we actually have on three sides of building 12, this 40 to 50 foot width where you can have the farmer's market, food truck, and art. This is another place is where having those industrial artifacts is a natural placement.

One of the things that we're exploring is this metal structure that is a building that comes off the side of building 12. We are looking at the possibility of retaining that and running the 22nd Street underneath it and out to the water so you'd be entering building 12 on the left there. It sort of maintains that weathered feel.

This is looking down into that market square. You can see building 12 has these really large doors that can make the connection between the inside and the outside very easy. Here's a rendering of what that might look like on a day where you've got a farmer's market, such as the event we had back in August, urban air market. That was inside building 12. Here's a view looking from the other side where this is maybe more like the frontage of the Ferry Building where we've got some food trucks.

An area we're calling the Irish Hill playground. A note that this is not entirely our waterfront site. One of the things that was anticipated in the term sheet was that we would help with the planning for the area just to the west of our site so that there was an integrated plan and concept for the whole area between Illinois Street and the waterfront. We think there's a great opportunity to provide a playground for the neighborhood. The neighborhood doesn't have a playground today. It's something that can't be done on the other areas of the park because of the tidelands trust restrictions.

This is the scale comparison with the Dolores Park playground, which is obviously a beautiful new playground. It has very similar topography and scale. You can imagine that with a grove of trees and terraced seating, which you can see going up the side. The green that you see on top is a concept that we've always had in the plan, which is on the top of the district parking structures, to have active recreation. That could be basketball or it could be soccer.

This is a view from down in the playground on the left. You see the terraced seating and then a grove of trees. As you move to the top of that district parking structure, we have one last of these iconic frame structures that captures a view that you couldn't find today, but that gets you just above the 20th Street historic

core and building 113 where you've got this beautiful view of downtown San Francisco.

We're excited about this. I totally forgot to talk about the landscape architecture team, which is Field Operations. One of the things that we did in the summer was we augmented our design team. We were very interested in finding a landscape firm that had successful experience with industrial waterfront sites. Through the process that we went through, they emerged as an eminent firm doing this type of work, notably, as Byron mentioned, the High Line in New York. They're working on Seattle central waterfront. They worked on Navy Pier in Chicago. Race Street Pier in Philadelphia. They get the character of these post-industrial places. We're excited to have them as part of the team. That team will expand as we get to further stages of the project.

We're interested in the feedback from you all. We presented a shorter version of this to the Central Waterfront Advisory Group last Wednesday night and got some really good feedback there. We're going to have another of our open houses like we did last year out at the site. We're actually doing it in building 12 this year, which will be exciting to have that massive space. We have about 300 people signed up right now.

If you don't have anything better to do and you want to see this a second time, we're going to give a tour of the site also and actually mark out the boundaries of the parks on the pavement on the sites so that people can get a sense of the scale of these parks.

Commissioner Brandon - Thank you for that presentation. What is the total open space for this project?

Jack Sylvan - It would be nine acres.

Commissioner Brandon - That's a lot. The different parts, when will they be activated during construction?

Jack Sylvan - The phasing concept that we've had was to start around building 12 to bring that historic structure back to life first. We would start with that, the plazas in the market square. Then we will be very interested in trying to create some of that waterfront park. Obviously there's a challenge there that you're building more park earlier, which is challenging from a cost perspective, but there's also an opportunity to create the place.

The Irish Hill playground would obviously be a great early amenity to add, both to the surrounding neighborhood and to the fact that we're really interested in attracting families to this location as well.

Commissioner Brandon - When will the others be done?

Jack Sylvan - Generally the notion is that you want to build the parks adjacent to the buildings that you're building. You don't want to build the park twice. Sometimes building the infrastructure of the buildings requires you to do some work on the adjacent areas. But generally, it's starting around building 12, working out towards the water and then the Irish Hill playground could fit anywhere in that phasing.

Commissioner Adams - I think it was December 2012, when President Katz and I came out there and you gave us a tour. I've been excited about this project from when we first came out there. It was kind of dark and you had us walking around those buildings and stuff like that.

Commissioner Katz - One of the last times before today that it rained.

Commissioner Adams - The thing that I've liked that you've really been very methodically walking this whole project through. You included the artist and stuff like that, the community. I'm really excited to see what this project's going to look like. It's probably going to be the hippest place in town to live and to hang out. It's going to add a whole different dimension to that part of the waterfront that a lot of people don't see. A lot of people don't even come down to this part of the waterfront, but to see that part out there where you guys are going to be out at Pier 70 is going to be exciting. I just wanted to tell you to continue to keep on with the good work. Also thank you for always keeping us in the loop about what's been happening.

Jack Sylvan- Thank you very much. We really appreciate your support. We wouldn't be where we were without that.

Commissioner Katz - Just want to echo my colleagues' comments on this. Many here have heard me say this is one of the most exciting opportunities facing the Port right now. We're thrilled to see what's coming in. I'm particularly excited to see that you've chosen to work with a team that did the High Line in New York which is another thing that I constantly am stating, that I'd love to see our Blue Greenway use that as a bit of a model.

To the extent that there's any opportunity to see how some of the work being done at Pier 70 might be incorporated in the efforts along the Blue Greenway, to have a seamless transition would certainly be appreciated. Again, I'm very excited.

I would particularly like to thank you for right out of the box talking about building and creating the parks even in advance of some of the other work going on. That's something that we certainly appreciate. I know Corinne has left, but that's something that has also been important to her and she's raised that. I appreciate your taking that on as well and creating that amenity for the southern waterfront as early as possible. Thank you for that. We're excited to see what else is coming.

One last thing, we would appreciate if we could get a copy of your presentation.

Jack Sylvan - Absolutely.

- D. Request approval of a Revocable License Agreement for Special Events with Forest City Development California, Inc. for approximately 97,202 square feet of unimproved shed space located at Buildings 12/15/16 and 32 and approximately 170,305 square feet of paved land at the Pier 70 Waterfront Site. (This proposed action is the Approval Action as defined by S.F. Administrative Code Chapter 31.) (Resolution No. 14-21)

David Beaupre, Planning and Development - I am filling in for Brad Benson who is out ill. I am seeking Port Commission's authorization to enter into a license agreement with Forest City for the building 12 area within Pier 70. The license will allow special events, community and cultural events, art installations, many of which will be open to the public. Other necessary permits that will allow Forest City and their partners to have events down there would be secured by the event promoter themselves.

Forest City's idea is to invite people to the waterfront and generate enthusiasm for the overall and eventual project and allow people to access the site where they haven't previously been able to. This is what Forest City commonly calls their phase zero project to activate the site.

As you may recall from the various presentations that Jack and the team have given, they have a particular approach to initiating projects where they're working at using some of the experiences gained from the 5M project where they're able to activate the ground floor, invite in tech, arts, and other types of users to the ground floor spaces to activate the areas early to again build excitement about the projects and their future projects.

A good example of this is the 5M project where a lot of the art events, the food making folks, the makers' fairs, the tech folks that are there have developed an excitement and an amenity to the neighborhood. In fact, Yahoo recently signed a new 70,000 square foot lease within the Chronicle building. We're hoping that that same type of excitement through utilizing special events at building 12 can bring that enthusiasm to the Pier 70 project.

You may recall that back in August they had their first event called the urban air market, which was a pilot or a test project to see how it went. There were over 5000 attendees with local makers. The event overall was a huge success. There were a lot of excitement and enthusiasm about the opportunities that exist within Pier 70.

In October 2014, Forest City with their event sponsor put on ghost ship during the day for children and family from the neighborhood. During the evening, it was for adults. For each of these events, Forest City used the opportunity to get input on their eventual project. For the ghost ship in particular, a lot of Port staff went down to see how it was operating, in particular Ken Tashian from our

Homeland Security team went down and wanted to confirm on the site security and site safety and was impressed by the operators and the operations of the plan.

Forest City's expecting somewhere between 80 and 100 annual events. They may have some administrative offices onsite, which we think would be beneficial and provide some added security. There would also be the allowed use of ancillary parking to support special events.

Forest City will pay a \$2500 a month fee, which is about the cost of Port staff to help support the events. The revenues net of expenses used to pay Forest City will help in the predevelopment costs. The revenues generated will go directly to pay back Forest City's predevelopment costs, which is a benefit to both the Port and Forest City.

Forest City has worked to retain a single event manager, the Pier 70 partners, which is Peter Glichstein and Jordan Langer. They're the ones who put on the ghost ship event on Halloween and have experience from running similar events at other city venues and came highly recommended to the Port.

Lastly, Forest City will be required to secure a place of entertainment permit, which will be a permit that allows them to continually have special events. As a part of securing the place of entertainment permit, they need to do significant outreach to the community, including working with some of our regulatory partners, including the police department, the fire department, but most importantly working with the neighborhood groups to make certain that the events are managed properly and sensitively to the community.

Some other key license terms include they're subject to the southern waterfront beautification and benefits policy. They've agreed to host five free community oriented special events every year. Additionally, their event managers have indicated their willingness to utilize local businesses and hire from within the community as much as possible.

Forest City will provide security at all times to the facility. They'll be responsible for the condition of the premises during the use of the event. They've agreed to share access along 22nd Street where other tenants, including American Storage, will be operating off of 22nd Street. But recognizing at some given points in time when there are large events, 22nd Street may need to close. They'll work closely with our tenants on making certain that alternate access is provided.

Brad, working with other Port staff, has established a tentative permit streamlining process based largely on the America's Cup permitting process where it minimizes the amount of staff time required to approve the events. One of the benefits of using a single event manager is that you retain the continuity of the event sponsor. They become familiar with the facility and the Port team becomes familiar with them.

One of the other key license terms is the good neighbor policy that addresses how to work with the neighborhood, how to manage litter and debris, how to manage crowds and sounds, how to provide the appropriate staffing, sufficient restrooms, and most importantly, provide contact information for staff during the events. If there's somebody that has an issue or complaint, they know how to get a hold of the event sponsor and promoter.

With regard to the condition of building 12, it's a contributing resource to the national register district. It's a World War II building. It's metal clad with a very stout framing for its original use. The seismic analysis indicates that the building meets the required seismic standard. The mold loft, which is red tagged on the second level, will be restricted access or no access at all. The Port's been working with the chief harbor engineer and other engineers to confirm the safety of the building.

Lastly the planning department issued a categorical exemption for the special events. It's a 4E categorical exemption. The next steps would be to, once we get approval, work on executing the license and work with Forest City to obtain the necessary permits. Both myself and others on the project team are available for questions. Brad wanted to thank Rona Sandler, Ken Cofflin, Steven Reel, Wendy Proctor, Ricky Tijani, Neil Friedman, Jerry Romani, Elliott Riley, and Byron Rhett for their assistance.

Commissioner Brandon - Thank you, David, for that report. I think it's a great idea. Jack, you guys have done such a great job at the events that you've held there so far and bringing the community in. It's a wonderful idea and a win-win for both of us, the Port and Forest City. Thank you.

Commissioner Adams - Jack, I think about what happened down with the America's Cup when they had that indoor/outdoor entertainment and how popular it was with the community and a lot of people came down. I can see the same thing happening over at Pier 70. A venue for people to come out, see the Port, whether it's concerts or fairs, whatever. It's a variety of things that can be done. I'm in support to bring anybody down to the Port and to give them that exposure to what's happening and to this new community. It's a good project.

Commissioner Katz - I concur. I'm very excited about this. It ties into the concept of place making that you've been talking about. I dragged several of my friends along with me to the maker fair. They've all asked if they can go back and take photographs and hang out. Once people get to see this area, they will realize and discover it. This provides an opportunity for many others to discover this part of the waterfront and start to gain an understanding of the opportunities and what will be available there. It's a great way of using the space.

I thank Brad in his absence for working on this and, Jack and David. Also one of the things I wanted to make sure was that the Port would have an opportunity to have some events here. I thank you for making sure that's included as well, at

least not infringing upon any other activities there. I'm excited to see what comes forward.

Jack Sylvan - I just wanted to not miss the opportunity to thank the Port staff all the way from Executive Director Moyer to the hard work of Brad and David and everybody else who's been involved to really embrace the opportunity here to start creating something that's a benefit to the community now rather than waiting till an approved project with actual buildings because it will benefit everybody in the long run, the community, the Port, the city, and us. Thank you.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 14-21 was adopted.

14. NEW BUSINESS

Monique Moyer - I have two items on the new business. The first is request from Commissioner Adams to form a working group between the Port, Metro Services, and the ILWU to plan where maritime is going to grow in the next five years or more and to report back to the commission on that as soon as possible in the 90 day timeframe. Given that we have some travelers in June, maybe July might be a better time. I just want to make sure all the commissioners are here.

Commissioner Adams - July or August

Monique Moyer - We'll plan to do it in July.

The second item is to invite the SFMTA to come back and drill down into their data on where the growth is occurring throughout the city and how that is affecting transportation issues, not just with the Port, but more citywide.

Then Commissioner Brandon would you be interested in a report back just informally on AECOM's effort to expand the diversity of their subconsultants.

Commissioner Brandon - I would really appreciate it. Thank you.

Monique Moyer - We'll do that as well. I'm not clear on the timing, but we will come back.

Commissioner Brandon - Before 2015.

Monique Moyer - Let's hope long before then. Those were the items I had. If you have any that I missed or you'd like to add.

Commissioner Katz - I think I raised this once before. If I could formally add a request that we get a report on the Waterfront Plan, review current status, metrics that have been met, and what projects have been done under the plan and where things stand.

Monique Moyer - Absolutely. We'd be happy to.

15. ADJOURNMENT

ACTION: Commissioner Adams made a motion to adjourn the meeting in memory of Malaysia Flight 370, to the victims and their families. Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

Port Commission President Leslie Katz adjourned the meeting at 6:15 p.m.

